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April 27, 1999

DCMC-OC

## MEMORANDUM FOR UNDER SECRETARY OF DEFENSE (ACQUISITION AND TECHNOLOGY)

THROUGH: DIRECTOR, DEFENSE LOGISTICS AGENCY

SUBJECT: Paperless Contract Closeout Working Integrated Process Team (CCWIPT) Final Report

The CCWIPT was chartered by the Deputy Secretary of Defense on April 13, 1998, through Defense Reform Initiative Directive (DRID) #32 – Paperless Contract Closeout, and as part of the overall Department of Defense (DoD) Paperless Contracting initiative. DRID #32 tasked the CCWIPT to reengineer the contract closeout process with the aim of making it paperless. In order to maximize the results of this effort, the CCWIPT included representatives from the Army, Air Force, Navy, Defense Logistics Agency (DLA), Defense Contract Audit Agency (DCAA), Defense Information Systems Agency (DISA), and the Defense Finance and Accounting Service (DFAS). Other organizations were kept abreast of the CCWIPT's efforts, but were not formally a part of the team.

The CCWIPT final report is attached for your review and submittal to the Director, Defense Reform Office. After receiving concurrence on the report from the participating WIPT organizations, comments were solicited from the following Office of the Secretary of Defense (OSD) organizations: Under Secretary of Defense (Comptroller/Chief Financial Officer), Assistant Secretary Of Defense (Command, Control, Communications & Intelligence), Director, Small & Disadvantaged Business Utilization, General Counsel of the Department of Defense, Deputy Under Secretary of Defense (Acquisition Reform), Deputy Under Secretary Of Defense (Logistics), and the Director, Defense Procurement.

In March 1998, after disposition of the OSD comments, final concurrence on the report was received from the participating WIPT organizations, as well as the OSD organizations providing comments (DoD General Counsel, Deputy Under Secretary of Defense (Acquisition Reform), Deputy Under Secretary Of Defense (Logistics), and Director, Defense Procurement). For your information, implementation has already begun on several of the recommendations: Final Voucher Submission, Final Voucher Audit, Inventions, Patents and Royalties, IDIQ/BOA Orders, Overhead Rates, Wide Area Workflow, and Standard Procurement System.

We propose the DRID #32 recommendations be incorporated into DRID #47- End-to-End Procurement Process Model and progress be tracked through this DRID. The system related recommendations from DRID #32, those concerning the Standard Procurement System and Wide Area Workflow for contract closeout, have been forwarded to the DRID #47 team and incorporated into the End-to-End "To Be" procurement process model. The Services and Agencies will be responsible for implementing individual recommendations and will report their implementation schedules and progress to the DRID #47 implementation executive agent. It is recommended that implementing organizations include industry representation when implementing their reengineered or paperless process recommendations.

Should you have any questions or concerns regarding information contained in the attached report, please contact Ms. Stephanie Strohbeck at (703) 767-3445, or DSN 427-3445, e-mail: [stephanie\\_strohbeck@hq.dla.mil](mailto:stephanie_strohbeck@hq.dla.mil).

/s/

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TIMOTHY P. MALISHENKO  
Major General, USAF  
Commander

Attachment

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Report of the  
Working Integrated Process Team  
On  
Contract Closeout



APRIL 1999

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Office of the Deputy Secretary of Defense

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## EXECUTIVE SUMMARY

The Contract Closeout Working Integrated Process Team (CCWIPT) was chartered by the Deputy Secretary of Defense on 13 April 1998, through Defense Reform Initiative Directive (DRID) #32 – Paperless Contract Closeout, and as part of the overall Department of Defense (DoD) Paperless Contracting initiative. DRID #32 identified contract closeout as having great potential to be reengineered and transitioned to a paperless environment.

In order to maximize the results of this effort, the CCWIPT included representatives from the Army, Air Force, Navy, Defense Logistics Agency, Defense Contract Audit Agency, Defense Information Services Agency, and the Defense Finance and Accounting Service. Other organizations were kept abreast of the CCWIPT's efforts, but were not formally a part of the team. This multi-organizational and multi-functional team believes the reengineering and paperless recommendations contained in this report will benefit all parties involved in, or affected by, contract closeout.

The CCWIPT's mission was to reengineer this critical process with the aim to make it paperless, look toward an integrated data environment, and reduce the closeout cycle time. The closeout process was defined by the CCWIPT as beginning with the physical completion of deliveries, and ending with all required contract closeout actions having been completed in accordance with the Federal Acquisition Regulation (FAR) 4.804, Closeout of Contract Files.

The closeout process is conceptually a simple process: all actions on the contract are completed and the contract is closed. However, there are many "feeder" processes that need to be completed to close the contract. These "feeder" processes are identified in the detailed flowchart located on pages 8 & 9 of this report. The CCWIPT reviewed these processes to identify opportunities for reengineering.

The recommendations contained in this report are broken out into two sections. The first section pertains specifically to the contract closeout process, and the supporting processes affecting contract closeout. The second section pertains to areas not directly affecting contract closeout, but expected to help in the areas of communication and continuous process improvement.

The CCWIPT focused on expediting the flow of information through automation, and eliminating non-value added steps in the current closeout process. Each recommendation contains a discussion on how the CCWIPT developed the recommendation; the anticipated advantages, costs and benefits upon adoption of the recommendation; an implementation plan, with milestones; and proposed metrics. Benefits and costs were typically based upon data provided from the Defense Contract Management Command (DCMC). This data was considered to be representative of the whole as DCMC administers a majority of the DoD contracts requiring formal closeout.

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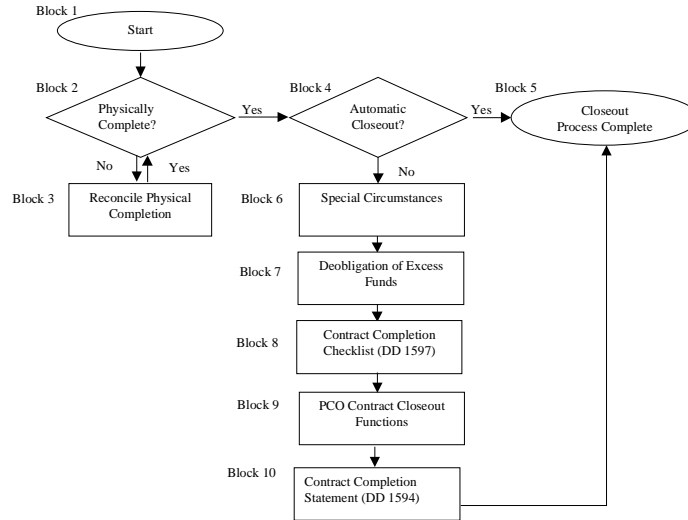
The following is a summary of the recommendations:

- Enhance the Standard Procurement Systems (SPS) contract closeout module requirements
- Expand Wide Area Work Flow (WAWF) to include contract closeout
- Promote timely voucher and invoice submissions
- Reduce Defense Contract Audit Agency (DCAA) final voucher audit requirement
- Revise delivery acceptance procedures
- Authorize Administrative Contracting Officer/Termination Contracting Officer deobligation authority
- Streamline Indefinite Delivery Indefinite Quantity/Basic Ordering Agreement Order Closeout
- Create a DoD centralized invention, patent & royalty database
- Endorse current overhead initiatives
- Augment Defense Acquisition Deskbook (DAD) capabilities
- Develop electronic point of contact locator
- Ensure adequate quick closeout training

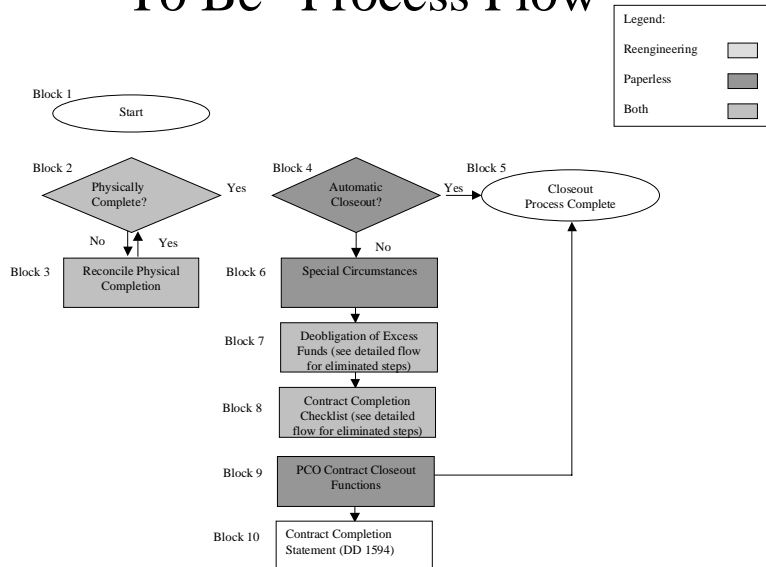
The CCWIPT firmly believes implementation of all recommendations will decrease costs, reduce contract closeout cycle time, and greatly benefit the mission of the program office/requirements office. The CCWIPT estimates the total costs to implement these recommendations are \$2,718,306 and total annual benefits to be \$25,030,531. The implementing, or action, office will develop precise cost and benefit figures. A synopsis of the proposed costs and benefits associated with each recommendation is included on page 10 of this report.

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## “As Is” Process Flow



## “To Be” Process Flow



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The following is a brief summary of the changes the CCWIPT recommended:

- Block 1 - Initiation of the contract closeout process - No change
- Block 2 - Determination of contract physical completion - WAWF/SPS electronic submittal and SPS Requirement changes for Version 5
- \*DD Form 250Z
  - \*Contracting Officer Representative Notice
  - \*SF Form 1449/DD Form 1155
  - \*Completion of Contract Line Item Review
  - \*Certificate of Completion/final invoice/voucher payment
  - \*Government Commercial Purchase Card statement
  - \*Other
- Block 3 - Reconciliation of data for determination of contract physical completion
- \*Contract Line Item Reconciliation - See page 28
  - \*Delivery Line Item Reconciliation - See page 28
- Block 4 - Automatic Contract Closeout - SPS Requirement changes for Version 5
- Block 5 - Business Function Complete - if yes to Block 4 - No change
- Block 6 - Specialized Closeout Requirements - SPS Requirement changes for Version 5
- \*Contractor Debt
  - \*Withhold Unliquidated Obligation
  - \*Bankruptcy
  - \*Litigation
  - \*Claims/Disputes
  - \*Labor Law Determination
  - \*Fraud
  - \*Terminations
  - \*Defective Pricing
  - \*Other
- Block 7 - Deobligation of excess funds - See page 32
- Block 8 - Completion of the DD Form 1597 - See Appendix D for the proposed combined DD Forms 1593, 1594 and 1597
- Block 9 - Completion of the DD Form 1594 - SPS Requirement changes for Version 5
- Block 10 - PCO Contract Closeout Functions - WAWF/SPS electronic submittal/transmittal
- Block 11 - Business Function Complete



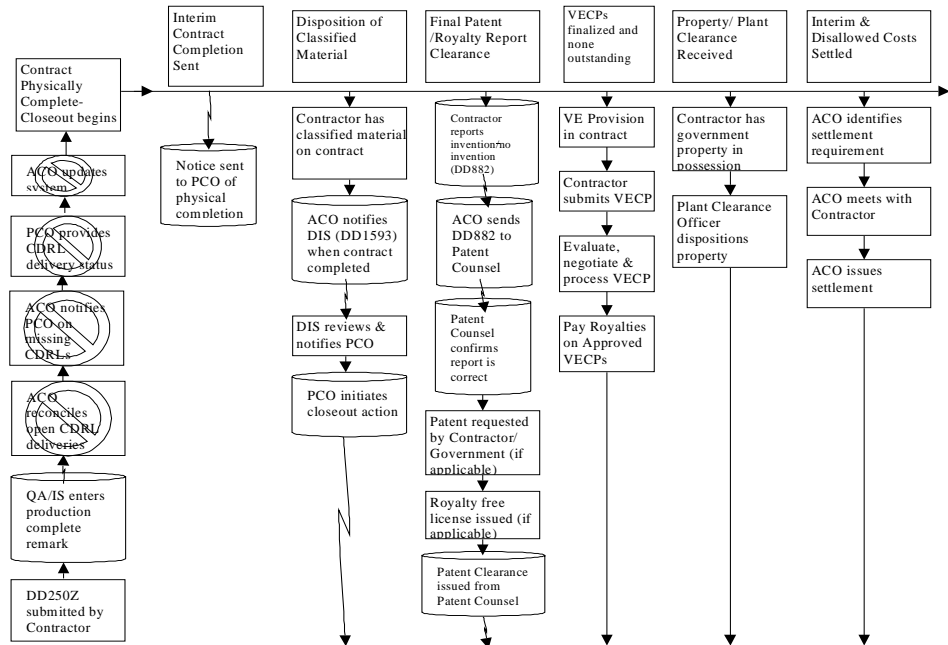
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## Contract Closeout Check Sheet Resultant effects from the CCWIPT recommendations

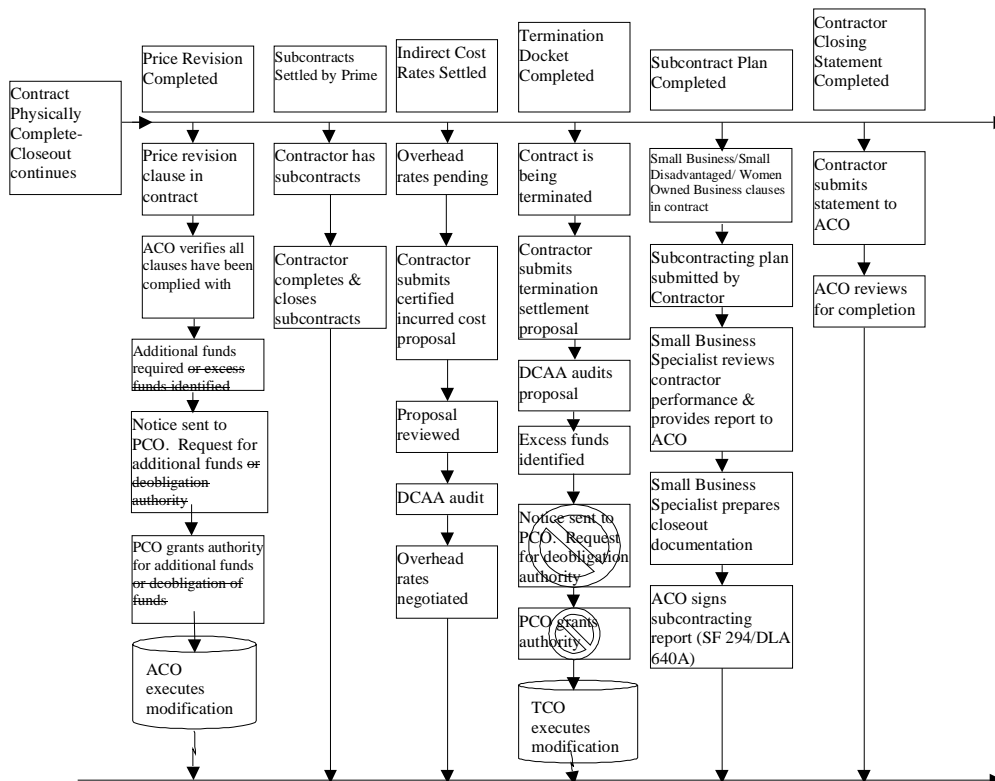
Closeout Action Item	Recommendation
Disposition of Classified Material	WAWF/SPS Paperless
Final Patent Report Cleared	WAWF/SPS Paperless
Final Royalty Report Cleared	Reengineered by CCWIPT
Report of Contract Completion	WAWF/SPS Paperless
No Outstanding Value Engineering Change Proposal	No recommendation
Plant Clearance Report Received	WAWF/SPS Paperless
Property Clearance Report Received	WAWF/SPS Paperless
Settlement of all Interim or Disallowed Costs	No recommendation
Price Revision Completed	No recommendation
Final Subcontracting Plan Report Adequate	No recommendation
Prior Year Overhead Rates Completed	Support on-going initiatives
Termination Docket Completed	WAWF/SPS Paperless
Contract Audit Completed	Reengineered by CCWIPT
Contractor's Closing Statement Completed	WAWF/SPS Paperless
Final Paid Voucher/Invoice Received	Reengineered by CCWIPT & WAWF/SPS Paperless
Final Removal of Excess Funds Completed	Reengineered by CCWIPT
Issuance of Contract Completion Statement	WAWF/SPS Paperless

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## Detailed Contract Closeout TO BE Process

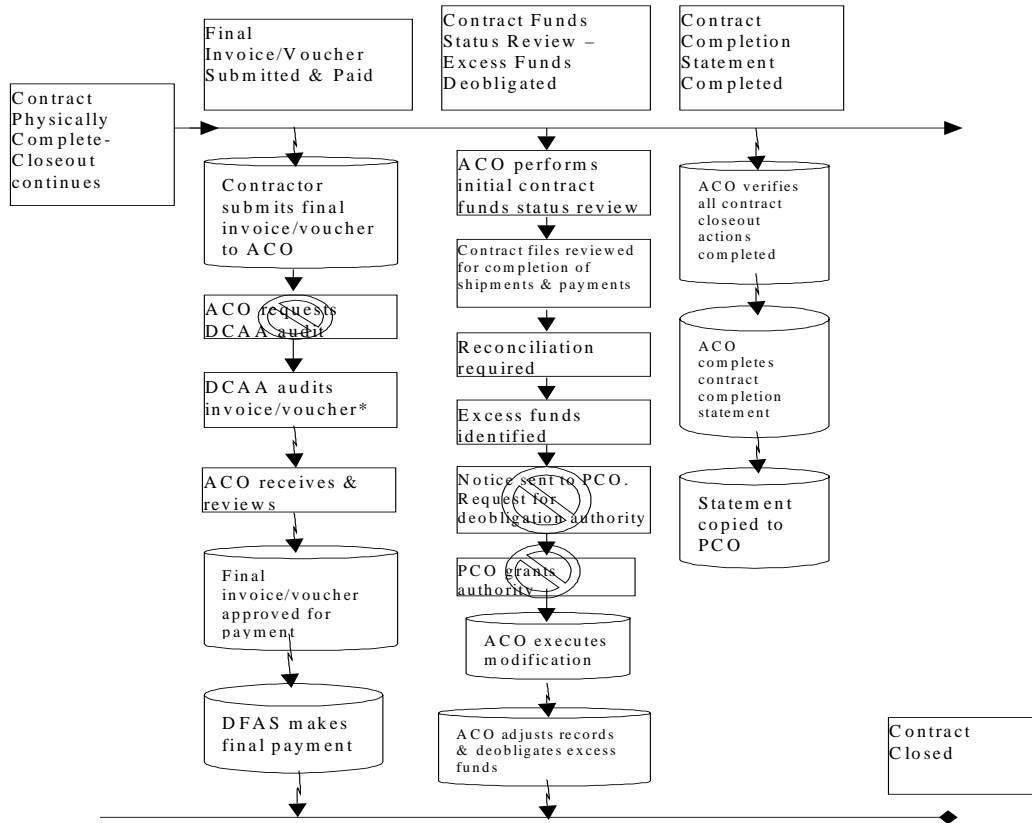


## Detailed Contract Closeout TO BE Process (continued)



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## Detailed Contract Closeout TO BE Process (continued)



\*DCAA audit only on sampling basis in future.

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## Contract Closeout WIPT Implementation Plan

SYNOPSIS OF RECOMMENDATIONS								
	Type				Cost(s) to	Benefits from		
Recommendation Description	Reeng/Paperless	Implementing POC	Start Date	Complete Date	Implement	Implementation	Metric	Metric Description
SPS Ver. 5 Deployment	P	DCMC	Jun-98	Sep-01	*	*	Yes	Closeout cycle time/percent overage contracts
WAWF	P	DCMC	Jun-98	May-00	\$300,000	**	Yes	# paper free submissions/total reports required
Final Voucher Submission	R & P	Army	Apr-99	Mar-00	Minimal	\$3,818,880	Yes	# of overage contracts awaiting final voucher.
Final Voucher Audit	R & P	DCAA	Apr-99	Mar-00	Minimal	\$1,000,000	Yes	Cycle time from contractor final voucher receipt to ACO final voucher submission to DFAS
Delivery Reconciliation	R & P	DCMC	Apr-99	Jun-00	Minimal	\$14,965,408	Yes	% overage contracts
Deobligate Excess Funds	R	Air Force	Apr-99	May-00	None	\$172,253	Yes	# of overage contracts awaiting excess funds removal
IDIQ/BOA	R	DCMC	Oct-98	Oct-00	\$2,288,306	\$4,845,000	Yes	Existing DCMC metrics (e.g. # of overage contracts)
Inventions, Patents, & Royalties	R & P	Navy	Apr-99	Jul-99	***	\$228,990***	Yes	# paperless submission divided by total # of required reports
Overhead Rates	R	DCMC	Oct-98	Apr-00	Minimal	**	Yes	Avg. time to close physically completed contracts/avg. % overage/# and \$ value of contracts closed
Defense Acquisition Deskbook	R	DLSC	Apr-99	Nov-99	\$5,000	**	Yes	% of DOD people having access to the web/DAD
Central POC Website	R & P	DLSC	Apr-99	Nov-99	\$5,000	**	Yes	# of contracting activities with e-mail addresses and web pages linked to DFARS Appendix G
Quick Closeout Training	R & P	Air Force	Apr-99	Nov-99	\$120,000	**	Yes	Development & deployment of Quick Closeout training module
Total					\$2,718,306	\$25,030,531		
* Costs and/or benefits are embedded in the other recommendations, e.g.: overall SPS development & deployment.								
** Benefits cannot be quantified.								
*** Costs and/or benefits will be revised as necessary based on final resolution.								

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## **I. RECOMMENDATIONS:**

### **A. STANDARD PROCUREMENT SYSTEM AND THE CONTRACT CLOSEOUT PROCESS**

#### **Issue:**

The Standard Procurement System (SPS) is going to be the future DoD procurement and administration system. For this reason, deployment of SPS is the key tool to allow the contract closeout process to become fully paperless.

The CCWIPT reviewed the current SPS contract closeout module, Version 4, and identified a number of changes needed to facilitate less manual input to close a contract. The changes were developed by the CCWIPT for incorporation into SPS Version 5, which is currently under development.

#### **Recommendations:**

- Incorporate the CCWIPT proposed contract closeout module system requirements into SPS Version 5.
- Establish an SPS legal module.
- Expand SPS to include the DCAA functions.
- Allow limited contractor access (read only) to SPS.

#### **Discussion:**

The CCWIPT determined the SPS Version 4 requirements addressed only the minimum contract closeout process steps. However, improvements were necessary to minimize the need for manual input of data, and thereby minimize the chances for input error, as well as help reduce closeout cycle time.

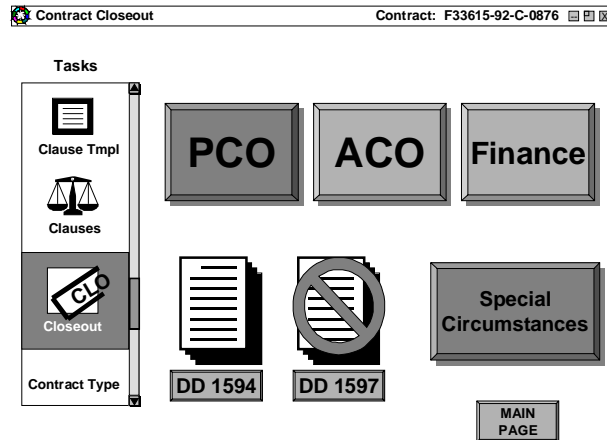
The following are highlights of the enhancements recommended for incorporation into the SPS Version 5 system requirements.

- Expand the five system-defined contract types to increase the types of contracts available for automatic closure.
- Generate alerts to various parties in the closeout process to notify them some action has to be taken in order to close the contract out, and/or that actions have been completed.
- Further define the archiving capability to allow greater access to more information after the contract has been closed.
- Fill in forms automatically to the greatest extent possible by links to other SPS modules containing the needed information.

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- Increase visibility by the Procurement Contracting Officer (PCO), Administrative Contracting Officer (ACO), and the Defense Finance and Accounting Service (DFAS) into the status of contract closeout through the use of status screens.

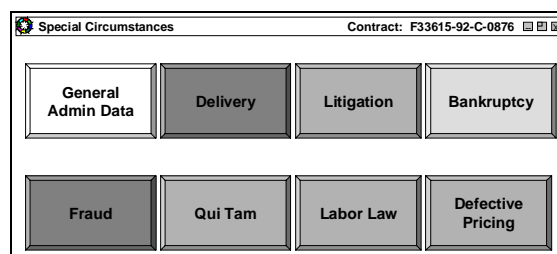
The CCWIPT has prepared some sample input screens that we believe would serve well as the basis for SPS Version 5 requirements. An interested party, for example, will see the screen, as shown below in Figure 1, showing whether or not the PCO, ACO, or DFAS has completed their portion of closing the contract.



*Figure 1*

When any of the three parties had completed their piece of closing the contract they could “click” on the button and change the color from red (open) to green (closed). The Defense Distribution Form (DD) Form 1594 and DD Form 1597 buttons would take users to the forms. Also, this screen would allow users to quickly identify what the outstanding issues might be by “clicking” on the Special Circumstances button.

If the Special Circumstances button was selected it would take users to a screen listing all the topics affecting contract closeout (Figure 2).



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*Figure 2*

These topics are color-coded as well; red for open issues and green for closed issues or issues not applicable to the particular contract. By selecting any one of the topics a user would be taken to a screen providing general information about the contract as well as information valuable to closing a contract.

For instance, the General Administration button would take users to a screen (Figure 3) where one could view such things as the contract number (Procurement Instrument Identification Number (PIIN)); the PCO and ACO name, phone number, and e-mail address; and the Contractor name, address, Commercial and Government entity (CAGE) code/Data Universal Numbering System (DUNS) number, point of contact and phone number.

The screenshot shows a web application window titled "Special Circumstances" with a sub-header "Contract: F33615-92-C-0876". The main area contains a grid of tabs: "Claims/Disputes", "Debts", "Terminations", "Withholds", "Fraud", "Qui Tam", "Labor Law", "Def. Pricing", "Gen. Admin", "Delivery", "Litigation", and "Bankruptcy". The "Gen. Admin" tab is selected. Below the tabs, there are several input fields for contract details: PIIN (F33615-92-C-0876), PCO (Capt Dwight Gibbler), SPIN (N/A), PHONE ((303) 555-7776), CAGE/DUNS (G0765A), EMAIL (Dgibbler@grf.scm.mil), CONTRCTR POC (John Grimes), ACO (Maryann Schweitzer), PHONE ((432) 765-9999), PHONE ((303) 555-4343), EMAIL (Mary.schwit@aol.com), CONTRACTOR (Gierre Fabricators), STREET 1 (1987 Elm Street), CITY, STATE (Manhattan Beach, CA), and ZIP-CODE (90345-9876). There are "ENTER" and "< BACK" buttons. At the bottom, there is a section titled "Contract Sections" with buttons for Sec. A through Sec. J.

*Figure 3*

The user could also quickly view the contract by “clicking” on the contract section buttons at the bottom of the screen.

Another example is the Litigation screen (Figure 4).

The screenshot shows the same "Special Circumstances" window, but with the "Litigation" tab selected. The main area contains a "Docket #" field (76-987-DA) and a "Filing Date:" field (12/11/92). Below these, there is a section titled "Types of Litigation:" with checkboxes for "Claims" (checked), "Fraud", "Termination", "Qui Tam", "Bankruptcy", and "Other". To the right, there are input fields for "Legal POC" (George Clayton), "Phone:" ((310) 555-9998), "Email:" (Clayton@jag1.gov), "Adjudication Authority:" (U.S.C. 45-12(a)), and "POC:" (Larry Rooters).

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*Figure 4*

This would show such information as the type of litigation affecting the contract, the associated docket number, the filing date, and the legal and adjudication authority names, telephone numbers and e-mail addresses. Additional remarks could be added to this screen to allow for further status information, and the litigation document(s) could be viewed as well. Similar templates exist for the other topics affecting closeout.

Critical to the success of the SPS Contract Closeout module is the incorporation of additional links not existent in Version 4. A legal module needs to be developed to facilitate easy access to legal issues. DCAA also must become a player in SPS. Critical steps, such as overhead rates and audits, are performed by DCAA affecting the closing of a contract. We recommend contractors be given limited access (read only) to such SPS elements as the conformed copy of the contract and disbursement information. This type of increased visibility by the contractor would help minimize calls by the contractor and chasing of information by the ACO or DFAS to verify the status of a contractual modification or payment.

## **Resulting Effects:**

### **Advantages:**

- Upon full deployment of SPS Version 5, the contract closeout process will become a fully paperless process.
- It will reduce contract closeout cycle time and the number of input errors.
- SPS will provide a centralized and interactive access point for all contract data.

**Costs:** No additional costs to implement Version 5 requirements outside of the current SPS system costs.

**Benefits:** No separate benefits from current SPS system benefits.

## **Implementation Plan:**






1. Action Office: DCMC



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- The current SPS Version 5 deployment schedule has installation and training beginning with the end of 4th quarter FY 99 and completing at the end of 4th quarter FY2000.

## Milestones:

ID	Task Name	1998			1999				2000				2001			
		Qtr 2	Qtr 3	Qtr 4	Qtr 1	Qtr 2	Qtr 3	Qtr 4	Qtr 1	Qtr 2	Qtr 3	Qtr 4	Qtr 1	Qtr 2	Qtr 3	Qtr 4
1	Create SPS PD2 Version 5.0 Closeout Requirement															
2	Review and Edit Requirement															
3	Submit Requirements to SPS Requirements Board															
4	SPS PD2 Version 5.0 development and testing															
5	SPS PD2 Version 5.0 Approval to Deploy															

## Metrics:

- Time from final acceptance date to time contract completion statement is issued. A downward trend is expected.
- Average percent overage. A downward trend is expected.
- Space, supplies and equipment all reduced.

## Conclusion:

The SPS Version 5 would make the contract closeout process paperless. It would reduce/eliminate the movement and creation of information. It would also eliminate process steps and the need to chase information. It would merge steps taken to close contracts. The end result would be a highly interactive database easily accessible to all Government personnel. It should be noted that security issues must be addressed at the SPS Program Office level to prevent unauthorized uses, changes and access of information residing in SPS.

In order to meet the "Paperless by 2000" requirements, the CCWIPT determined an alternate method for a paperless contract closeout process was required prior to deployment of SPS Version 5. The CCWIPT believes the use of the Wide Area Workflow concept is the best method and can be capitalized on immediately. The data could be utilized by SPS when SPS is fully deployed.

## B. WIDE AREA WORK FLOW

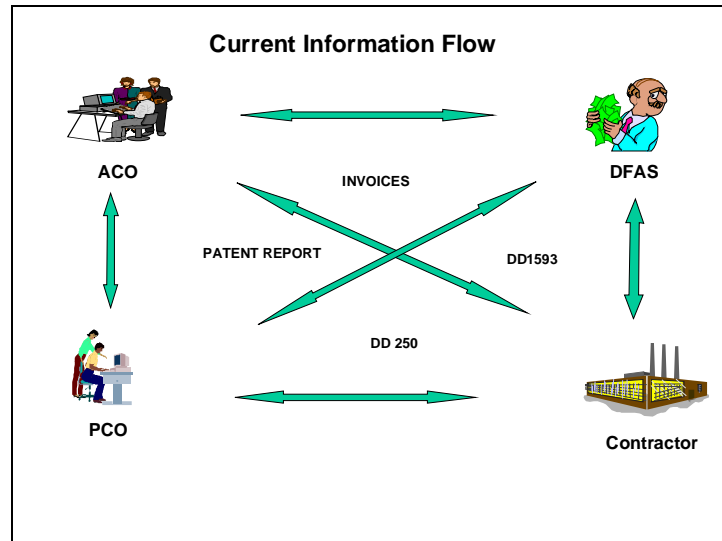
### Issue:

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The Defense Finance and Accounting Service (DFAS) is currently developing a program called Wide Area Workflow (WAWF). WAWF is a web-based program DFAS will use to capture invoice and receiving report documents through web interactive forms. This program will provide a central location for contract, acceptance, and payment documentation.

We propose the WAWF be rapidly expanded to include all contracts and contractors and enhanced to allow for the interactive use and electronic population of documents now required for contract closeout. The WAWF would thereby become the Integrated Digital Environment for contract closeout. The WAWF would allow all people/organizations to accomplish their part of the closeout process and document it in one place. It would also provide visibility to all parties as to closeout status.

*As Is Information Flow between Government Offices and the Contractor (Figure 5):*  
Under the current flow there are many opportunities for lost or missing documentation. It is paper intensive and impedes information flow.



*Figure 5*

*As Is Information Flow between Government Offices and the Contractor when WAWF Is Employed (Figure 6):* The current WAWF concept is in beta testing. Currently, WAWF facilitates paperless document submittal and is a central location for contract, receiving payment and acceptance data.

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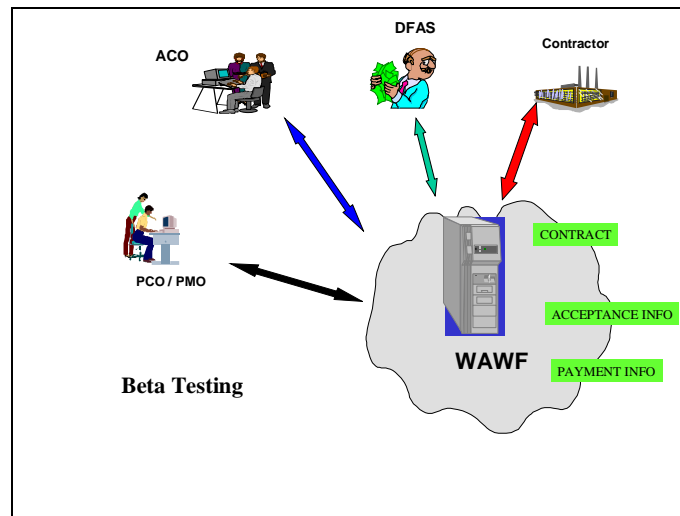


Figure 6

*To Be Information Flow between Government Offices and the Contractor if Wide Area Workflow is Expanded (Figure 7):* An expanded WAWF would include contract closeout forms and provides a central closeout checklist.

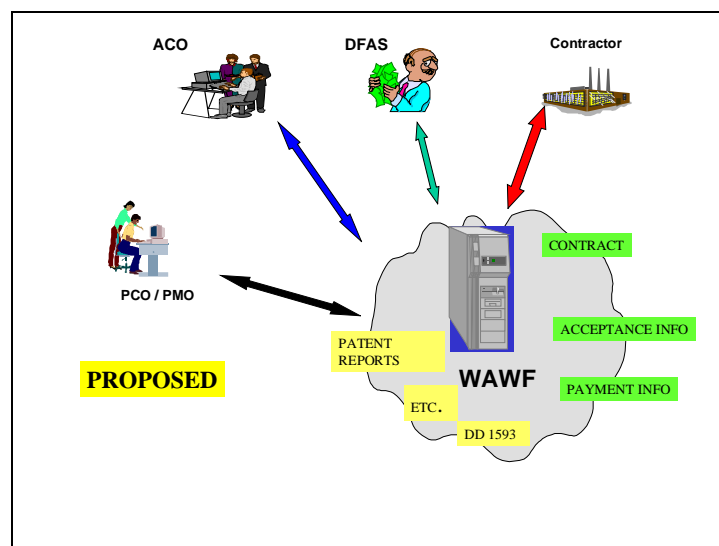


Figure 7

## Recommendation:

Expand the WAWF to include all mandatory documents required for contract closeout. Design this application to incorporate the latest acquisition reform activities affecting contract closeout (e.g.: the automation and simplification of the Material Inspection & Receiving Report). Ensure the WAWF allows users to actively input all contract closeout information. Make the WAWF an electronic, performance support tool for contract closeout. Security issues are being addressed in the WAWF Contract Closeout functional

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requirements to ensure there are no unauthorized uses, changes and access of information residing on the WAWF application.

Enhance the WAWF to access information through other databases such as Mechanization of Contract Administration Services (MOCAS), the Shared Data Warehouse (SDW), and the DFAS Corporate Database (DCD). Ensure information entered into the database results in a corresponding record or product in any other currently existing database.

## **Discussion:**

The CCWIPT sought a “paperless” solution for contract closeout documentation based on the parallel and concurrent exchange of information between all interested parties to a contract. Information would be fed to one source and centrally viewed by all contractual parties. The CCWIPT found DFAS was testing a new program called WAWF. After seeing a demonstration of this program the CCWIPT determined a program such as this would meet our “paperless” information processing requirements. WAWF is also a long-term effort and will be interactive with SPS. Data in WAWF will be accessible through SPS and data entered through use of the WAWF will still be useable after SPS deployment.

The CCWIPT concluded the WAWF is the solution to our immediate need to go “paperless” with the contract closeout process for existing contracts. The WAWF could be easily modified to include all Government contract closeout forms in electronic format. This would include forms such as the DD Form 882—Report of Inventions and Subcontracts and the DD Form 1593—Contract Administration Completion Record. Both forms are used extensively in the contract closeout process. One requirement for documents placed on the contract closeout portion of the WAWF will be archiving capabilities to ensure compliance with FAR mandated record retention and disposal procedures.

The CCWIPT envisions a scenario wherein Government or contractor personnel would access the WAWF to fill out contract completion documentation. If the final patent report—a prelude to contract closeout—were selected and completed by a contractor, the appropriate Government representative, such as a patent attorney, could review and approve the document. The same would be true for other closeout documents like the DD Form 1593 or the final voucher itself (Standard Form 1034). Access to some documents, such as the DD Form 1597—Contract Closeout Checklist, would be limited to Government personnel. When a document is completed, the program would be designed to automatically notify all appropriate recipients. A document’s recipients would always be sent an e-mail message by the document’s source, notifying them it is available for review.

The CCWIPT believes the WAWF should be linked to existing databases. Electronic forms would not only be filled out and posted on the WAWF but also generate appropriate transactions in all existing databases.

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## Resulting Effects:

### Advantages:

The WAWF is now in limited operation. Acting on these recommendations requires only the expansion of an existing program. By using existing computer programs, start-up costs will be minimized and learning curves maximized. An enhanced WAWF will immediately reduce the amount of paper required in the contract closeout process. It will provide a single source for viewing all contract closeout information required by users. Expanding the WAWF interactive features and tying them to currently established computer systems would reduce the overall transaction times between the Government and contractor. Reducing transaction times for the exchange of information would reduce the contract closeout cycle time. WAWF would remain in use after SPS implementation to handle contracts issued prior to SPS.

### Costs: \$300,000

A project plan is being developed for implementation. This plan will include training, installation and deployment costs.

**Benefits:** Benefits are embedded within other reengineering recommendations, e.g.: patent DD Form 882 form on WAWF.

### Implementation Plan:

1. Action Office: DCMC
2. Recommend DCMC do a limited testing of the concept immediately.

### Milestones:

ID	Task Name	1998			1999				2000				2001				
		Qtr 2	Qtr 3	Qtr 4	Qtr 1	Qtr 2	Qtr 3	Qtr 4	Qtr 1	Qtr 2	Qtr 3	Qtr 4	Qtr 1	Qtr 2	Qtr 3	Qtr 4	
1	Develop Requirements	■															
2	Develop Prototype					■											
3	Full Operational Capability						■	■	■	■	■	■					

### Metrics:

- Formula: Number of paperfree contract closeout document submissions divided by the total number of contract closeout documents required.
- The number of paper document submissions should decrease over time approaching 100% of paper-free document submissions.

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## **Conclusion:**

Electronically processing all contract closeout documentation, as well as all payment and acceptance documentation, will shorten transmission time and reduce handling errors. Having such information on a web site will provide for a central viewing location for all parties to a contract. It will create an integrated data environment for all users. It should be noted that this application will duplicate security measures that are followed for the overall WAWF application. With the WAWF now in place at DFAS, we can rapidly expand an existing program to meet our need to make the contract closeout process “paperless.”

## **C. FINAL VOUCHER SUBMISSION**

### **Issue:**

Failure to submit final vouchers by contractors is the leading reason why contracts remain open. The DCMC MOCAS database shows approximately 5,000 out of 19,000 overage contracts, those physically complete contracts exceeding the appropriate time limit in FAR 4.804-1(a), are awaiting final voucher submission before they can be closed by the ACO. This is approximately 40% of all overage contracts administered by DCMC, and what seemed to the CCWIPT a valid indicator of an area for process reengineering.

### **Recommendation:**

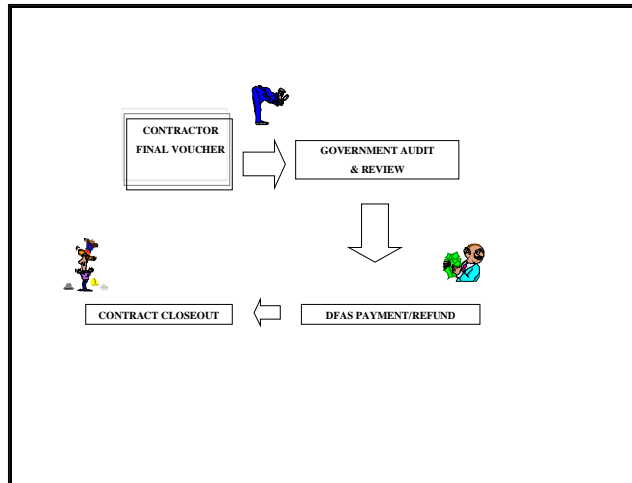
1. Each DoD Service and Agency issue policy directing contracting officers to assert the Government’s right to a final invoice or voucher under the Contracts Disputes Act of 1978 (FAR 52.233-1—Disputes) for existing contracts.
2. Modify FAR 52.216-7 -- Allowable Cost and Payment, to provide that when a contractor has failed to submit any invoice or voucher for a contract, or failed to request an extension, within the timeframe required by this clause (120 days after final rate settlement), the contractor shall not have the right to appeal any determination made by the contracting officer under the Disputes Clause (FAR 52.233-1--Disputes) regarding its submission. The clause should be modified to state that the contracting officer shall notify the contractor they have 120 days to submit their final voucher after the final indirect rates are negotiated and agreed to. This modified FAR provision shall be inserted in all future cost reimbursable contracts.

### **Discussion:**

### **Flowchart for Final Voucher Submission:**

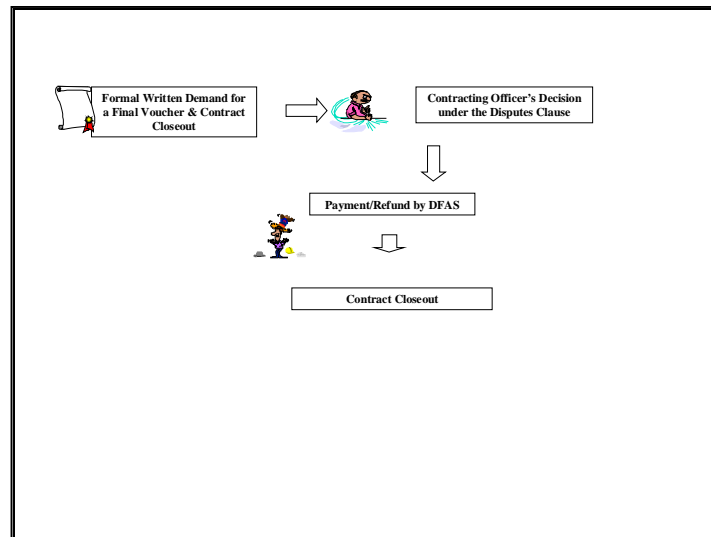
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*As Is Process for Final Voucher Submission (Figure 8):*



**Figure 8**

*To Be Process under the Disputes Clause when Final Voucher Submission Is Not Made (Figure 9):*



**Figure 9**

While no steps in the reengineered process have been eliminated, the process will be improved through more timely contract closeout.

*First Recommendation:*

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As mandated by our charter, the CCWIPT considered several ways to reengineer this part of the contract closeout process. For currently issued contracts, we concluded contracting officers must be more assertive in exercising the Government's right to a final invoice voucher under the Contract Disputes Act of 1978. (See Subpart 33.2—Disputes and Appeals.) FAR 33.215—Contract Clause provides that FAR 52.233-1—Disputes be inserted in most solicitations and contracts. The only exceptions are for contracts with international organizations and foreign governments. (See FAR 33.203—Applicability.) FAR 52.233-1—Disputes are the means by which the Government may demand from the contractor, as a matter of right, the payment of money in a sum certain, the adjustment or interpretation of contract terms, or any other relief arising under or relating to a contract.

The CCWIPT noted FAR 52.216-7—Allowable Cost and Payment provides that within 120 days after settlement of the final indirect cost rates covering the year in which a contract is physically completed, the Contractor is required to submit a completion invoice or voucher to reflect the settled amounts and rates. This clause must be inserted in most cost contracts according to FAR 16.307—Contract Clauses.

Accordingly, the CCWIPT concluded contracting officers should demand the submission of final vouchers under FAR 52.233-1—Disputes when they are not provided within the timeframe specified by FAR 52.216-7—Allowable Cost and Payment. The CCWIPT believes this kind of unilateral action, taken on the part of a contracting officer after exhausting all other reasonable efforts, is a prudent administrative action. If contractors will not submit final vouchers on their own accord, contracting officers must take the initiative and begin to close out contracts unilaterally.

In order to ensure the success of this recommendation, the CCWIPT recommends the following steps. Each DoD Service and Agency issue policy directing contracting officers to assert the Government's right to a final invoice or voucher under the Contracts Disputes Act of 1978 (FAR 52.233-1—Disputes) for existing contracts. This policy should include contracting officer notification to the contractor that if the contractor does not submit a completion invoice or voucher within 30 days the contracting officer intends to issue a final decision on the final payment amount owed the contractor. As part of this effort the Service, Agency or office should secure an advisory opinion from their cognizant legal office discussing how to proceed with a claim under the Disputes clause.

## *Second Recommendation:*

The CCWIPT recommends FAR 52.216-7—Allowable Cost and Payment be modified to provide that when a contractor has failed to submit any final invoice or voucher for a contract within the time provided, 120 days after settlement of the final indirect cost rates covering the year in which a contract is physically completed, *and* has failed to request an extension of time for submission, it shall not have the right to appeal any determination made by the contracting officer under the Disputes Clause (52.233-1—Disputes). The CCWIPT also recommends that the Allowable Cost and Payment provision be modified to



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impose a requirement on the contracting officer to notify the contractor at the beginning of the 120 day time limitation to submit the applicable invoices and vouchers.

Curtailing the contractor's right to appeal a contracting officer's decision, when a final voucher has not been submitted in a timely manner, is patterned after the contractor losing its right to appeal a Termination Contracting Officer's decision when a settlement proposal has not been submitted in a timely manner. FAR 52.249-2—Termination for Convenience of the Government (Fixed Price), and FAR 52.249-6—Termination (Cost-Reimbursement) both provide that the contractor loses its right to appeal under the Disputes clause when the contractor fails to submit a termination settlement proposal within specified time frames and fails to request a time extension. FAR 49.109-7—Settlement by Determination provides a more detailed explanation of this lost right.

The CCWIPT believes curtailing contractors' rights of appeal under these circumstances would encourage them to submit final invoices and vouchers in a timely manner.

### *Other Ideas That Were Considered:*

In reaching these conclusions, the CCWIPT considered other measures to promote the submission of final invoices and vouchers by contractors. We considered creating a new FARS/DFARS provision that would expressly recognize the Contracting Officer's authority to unilaterally close out a contract. Such a clause might be thought of as a "Notice of Intent to Make Final Payment" and its wording patterned after FAR 42.801—Notice of Intent to Disallow Costs. The proposed FAR provision might have provided, for example, that the "contracting officer may at any time after contract completion issue to the contractor a written notice of intent to make final payment under the subject contract." The contractor would also have been provided an opportunity to respond to this notice, be provided a final written decision, and enjoy the right to appeal the contracting officer's decision. In considering this alternative, the CCWIPT concluded contracting officers could already take this kind of action under the Disputes clause in the FAR. We were also reluctant to "break out" this authority of the Contracting Officer because it might have suggested a lack of such authority in the past.

The CCWIPT also reviewed various withholding provisions found in the FAR. We looked first at FAR 52.216-8—Fixed Fee. This clause provides for a withhold not to exceed 15% of the total fixed fee or \$100,000, whichever is less. We also reviewed the withhold provisions found in FAR 52.216-11—Cost Contract--No Fee and FAR 52.216-12—Cost Sharing Contract—No Fee. Both clauses provide for a reserve not to exceed one percent of the total estimated costs shown in the schedule or \$100,000, whichever is less. While the CCWIPT considered recommending increased withholds, we lacked any empirical evidence that suggested increased withhold amounts would result in increased submissions of final vouchers. Subsequently, we concluded whatever efficiencies might be derived from increasing withhold amounts would have to be balanced against the effects of canceling funds.

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Finally, the CCWIPT debated whether the final voucher should be identified as a deliverable under a contract. The CCWIPT thought, as an identified line item, the submission of a final voucher might become part of a contractor's performance history. As such, it might prove to be an incentive for contractors to submit final vouchers if they knew their performance in this area—voucher submissions--would be tracked. The CCWIPT noted contractors are already tracked, at least within DCMC, according to the number of contracts awaiting a final invoice or voucher. Along these same lines, the CCWIPT thought the final voucher might be a separately priced deliverable within a contract, but the CCWIPT did not believe the Government should be placed in the position of appearing to pay extra for something already included in the contract price. For these reasons the CCWIPT determined identifying the final voucher, as a deliverable under a contract was not value-added activity.

## **Resulting Effects:**

### **Advantages:**

- Promote full contractor performance
- Reduce contract closeout cycle time
- Reduce the number of overage contracts
- Ensure timely submission of final vouchers

**Costs:** None. Training to implement these recommendations will be minimal.

**Benefits:** \$3.8M annually

Formula: Number of overage contracts awaiting final invoice/voucher x cost to keep contract open = benefits.

Number of contracts overage = 4992 (from MOCAS data)

Cost to keep the contract open = \$63.75 (average federal employee Contract Administration Service (CAS) reimbursable rate x 12 hours/year (1 hour/month tracking contracts in the automated metrics system (AMS) in MOCAS).

The costs not included are storage/retrieval costs for both Government and industry and learning curves when new resources are assigned responsibility for contract closeout.

## **Implementation Plan:**

1. Action Office: Army
2. DoD Services and Agencies issue interim policy no later than June 15, 1999.

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## Milestones:

ID	Task Name	1999					2000				2001				
		Qtr 4	Qtr 1	Qtr 2	Qtr 3	Qtr 4	Qtr 1	Qtr 2	Qtr 3	Qtr 4	Qtr 1	Qtr 2	Qtr 3	Qtr 4	
1	Services and Agencies issue policy														
2	Staff FAR case														

## Metrics:

- The number of overage contracts awaiting final vouchers will be reduced.

## Conclusion:

The CCWIPT found the leading reason contracts remain open beyond the timeframes established by FAR is the contractor's failure to submit final vouchers. The CCWIPT considered a number of alternatives to promote the submission of final invoices and vouchers. For current contracts the team concluded the best approach to solve this problem is for the Government to start aggressively exercising its rights under FAR 52.233-1—Disputes. For future contracts the CCWIPT recommends that FAR 52.216-7, Allowable Cost and Payment, be modified so that contractors lose their right to appeal final determinations of contracting officers when final invoices and vouchers are not submitted within 120 days after settlement of the final indirect cost rates covering the year in which a contract is physically complete. The clause should also be modified to impose a requirement on the contracting officer to notify the contractor at the beginning of the 120 day time limitation to submit the applicable invoices and vouchers.

## D. FINAL VOUCHER AUDIT

### Issue:

The current final voucher process includes an audit on every final voucher prior to submission to DFAS for payment. DCAA brought to the CCWIPT's attention a new process that would reduce the number of audits performed without increased Government risk. The CCWIPT analyzed the new DCAA process and believes it will reduce the number of audits performed. Additionally, the final voucher process can be more paperless through greater use of electronic processing techniques.

### Recommendation:

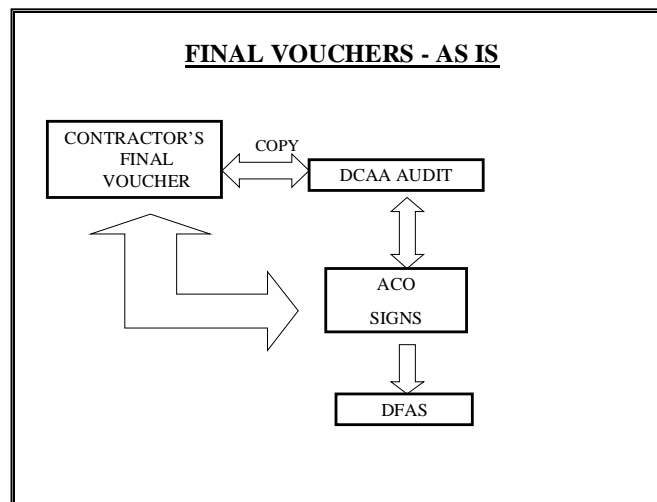
The requirement for final voucher audit will be satisfied if all of the following conditions are met:

- The contractor has an adequate billing system and is billing direct.

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- The contractor electronically generates the data necessary for DCAA to complete their Cumulative Allowable Cost Worksheet, which shows the final direct and indirect cost on all closed contracts. This worksheet will be electronically provided to the ACO who will use it to approve the final payment (errors in the final voucher disclosed by the ACO will be resolved with the auditor before payment).
- DCAA is copied on all vouchers. DCAA will test final voucher procedures during the review of the contractor's billing system. If a billing system review discloses a deficiency with the contract closing procedures, the system will revert to the current method of DCAA auditing all vouchers. The contractor would have to submit an improvement plan for review by DCAA before reverting to the recommended method.

In all other circumstances, the ACO will request audit of the final voucher.



*Figure 10*

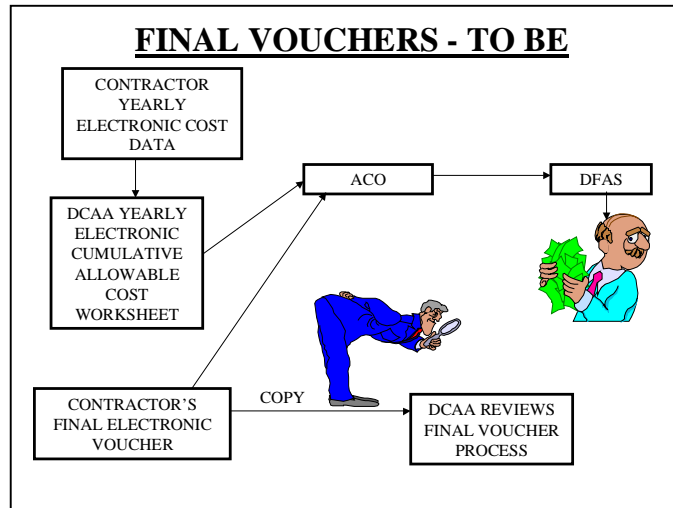
**Discussion:** See benefits paragraph for this topic.

### **As is process:**

In the current process all final vouchers are submitted directly to the ACO with a copy to DCAA. The ACO then requests an audit of the final voucher; DCAA audits the voucher and submits the report to the ACO. The ACO then reviews the report and if everything is acceptable, sends the voucher to DFAS for final payment.

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**To be process:**



*Figure 11*

The To Be process replaces DCAA audit of all final vouchers under the following circumstances: the contractor's system is adequate for submittal of final vouchers and the contractor is direct billing. Additionally, the intent is to have DCAA submit their cumulative allowable cost worksheet electronically and the contractor to submit the final voucher electronically. While the difference between the As Is process flow and the To Be process flow appear minor, the change significantly alters DCAA's role in the closeout process for contractors meeting the stated criteria. The To Be process will allow the ACO to accept the final voucher upon both voucher receipt from the contractor and review of the DCAA Cumulative Allowable Cost Worksheet, rather than wait for the DCAA final audit to be completed.

## **Resulting Effects:**

### **Advantages:**

- Converts the current paper process to an electronic process. The DCAA Cumulative Allowable Cost Worksheet and the final voucher will be in an electronic format.
- Reduces the amount of time spent by DCAA on processing vouchers
- Provides faster final payment of contractor vouchers and faster contract closure.

### **Costs:**

Training costs to implement the recommendation will be minimal. The recommended process reduces the time for closeout and saves Government resources for other responsibilities.

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## Benefits:

Potential benefits estimate is approximately \$1M annually based upon the following:

For FY1998, DCAA programmed 50,776 hours to process final vouchers for its major contractors. Approximately 60 percent of the affected contractors have acceptable billing systems. This equates to 30,500 hours affected by this recommended process. If we were able to save at least 50 percent of these hours, or 15,250 hours, the Government would save at least \$1 Million (15,250 hrs. x \$69.19 (DCAA's reimbursable rate)). As these figures represent FY1998, and include significant activity from prior years, future benefits may be less. It is possible additional hours would be required to prepare the Cumulative Allowable Cost Worksheet, but the advantages from not reviewing all completed vouchers is expected to outweigh any additional effort.

## Implementation Plan:

1. Action Office: DCAA
2. DCAA will refine the data on anticipated benefits that will be made possible by streamlining the final voucher process. The CCWIPT recognizes that adjustments will need to be made for contractors that do not meet the stated requirements and for additional hours anticipated for the Cumulative Allowable Cost Worksheet.

## Milestones:

ID	Task Name	1999					2000				2001				
		Qtr 4	Qtr 1	Qtr 2	Qtr 3	Qtr 4	Qtr 1	Qtr 2	Qtr 3	Qtr 4	Qtr 1	Qtr 2	Qtr 3	Qtr 4	
1	Coordinate procedures with DCMC														
2	Identify contractors meeting criteria														
3	Fully implement process														

## Metrics:

- Cycle time reduction is measured from date of contractor final voucher submission to ACO through final voucher submission by ACO to DFAS. (DCMC metric)
- The number of contractors electronically generating the data necessary for DCAA to complete Cumulative Allowable Cost Worksheets showing the final direct and indirect cost on all physically completed contracts. (DCAA metric)

## Conclusion:

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The recommended system is expected to reduce the time for the closeout process. Fewer Government resources will be expended to review every final voucher and the associated DCAA audit report.

## **E. DELIVERY RECONCILIATION**

### **Issue:**

This is a two-part issue. The first issue concerns the delivery and acceptance of not separately priced data items. This type of contract line item is usually found on the Contract Data Requirements List (CDRL) within a contract. The second issue concerns the acceptance of all other deliveries.

Tracking multiple shipments and acceptances against specific contracts sometimes leads to inaccurate database records in MOCAS. Contract closeout may be delayed until shipment and acceptance documentation is reconciled within the MOCAS database.

Additionally, the tracking of shipments and destination acceptances for not separately priced data items (CDRLs) has been a long-standing reason for delays in contract closeout.

### **Recommendation:**

The following recommendations shall not replace the current acceptance procedures. This process is to be used on an exception basis for contracts that have not been closed due to discrepancies in delivery records.

- 1) Contract Data Requirements List (CDRLs) deliveries: Upon acceptance of the last CDRL deliverable, require the PCO to issue a final notice to DFAS that all CDRL items have been delivered and accepted. This final notice may be in multiple formats from a simple e-mail stating all CDRL items have been completed and accepted, to a formal letter (sent electronically) stating all CDRL items have been completed and accepted. This will be done electronically between the PCO and DFAS with a copy to the ACO. The "Statement of Acceptance" shall specify the applicable item(s) to the contract recorded Accounting Classification Reference Number (ACRN) or line item level.
- 2) Other than CDRL deliveries: Authorize the cognizant ACO to issue a "Statement of Acceptance" for source acceptance deliveries and the cognizant PCO to issue a "Statement of Acceptance" for destination acceptance deliveries. The ACO shall be authorized to direct MOCAS database correction to reflect physical completion of all contract requirements except CDRLs. The "Statement of Acceptance" shall be issued only when normal acceptance documents can not be located and only when the ACO/PCO has sufficient knowledge, information and/or data that all items were shipped and accepted. This could be accomplished through (1) consultation with the

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cognizant PCO, (2) acquiring the required information from the contractor or responsible Government office, and (3) a risk analysis. The “Statement of Acceptance” shall specify the applicable item(s) to the contract recorded ACRN or line item level.

## Discussion:

The contract closeout process requires the reconciliation of all shipment and acceptance records with the delivery requirements of a given contract. For contracts included within MOCAS, this reconciliation process is automatic provided all acceptance documentation has been properly input into the database. The CCWIPT reviewed contract data supplied by DCMC Baltimore. This data, from April 1998, showed 1,116 contract input errors (ranging from typographical errors to disbursement to the wrong ACRN and another 1,192 contracts awaiting final acceptance. Both sets of data result in shipment and acceptance record mismatches, as well as delays in contract closeout.

## As Is Process for CDRL Acceptance:

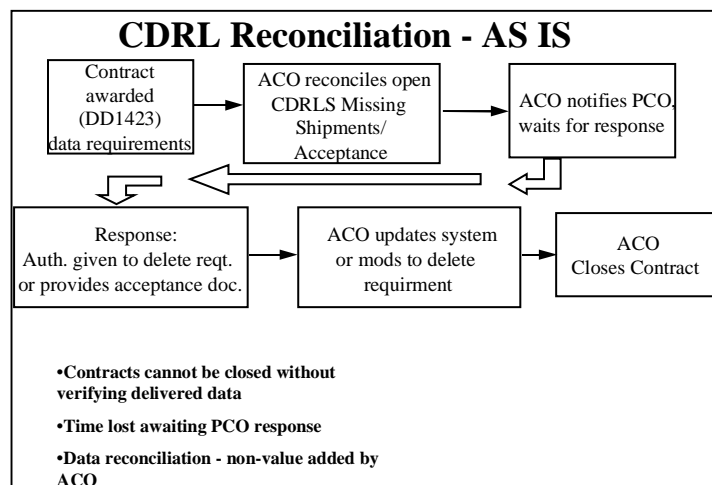


Figure 12

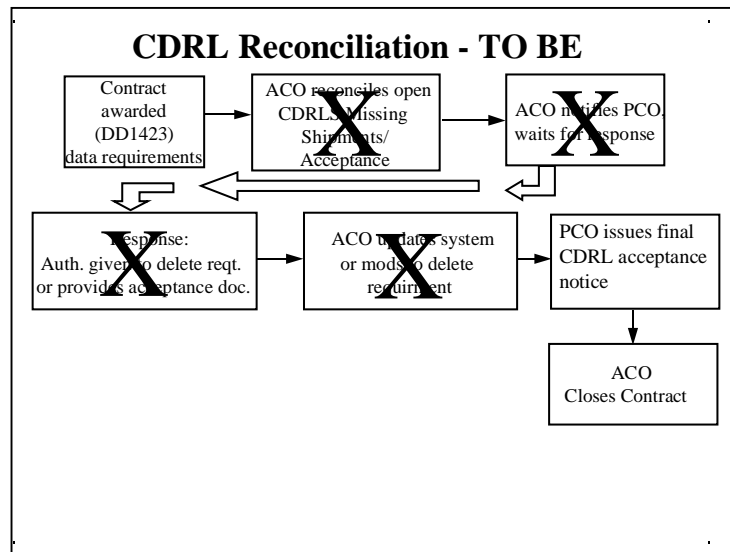
Contract awards often include technical data requirements. These data items are usually found on the contract’s DD Form 1423, CDRL. Some of these data items require inspection and acceptance at destination by a Contracting Officer Representative (COR)/Contracting Officer’s Technical Representative (COTR).

When DCMC administers a contract with technical data requirements, the information found on the CDRL must be entered into the MOCAS database. The contract cannot be closed until the cognizant Contract Administration Office (CAO) validates all CDRLs have been shipped and accepted. This delivery reconciliation effort is time consuming when there are many data items on a contract.

## To Be Process for CDRL Acceptance:



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*Figure 13*

Future contract awards would require the electronic submittal of CDRLs from contractors to buying offices and would allow the ACO to instruct DFAS that all non-CDRL deliveries have been accepted and to make payment on submittal of an invoice. PCOs would be required to issue a final notice to DFAS when all CDRLs have been received and accepted for the purpose of contract closeout.

## Resulting Effects:

### Advantages:

Allowing the ACO to override the MOCAS database to show the physical completion of other than data items will expedite the contract closeout process.

Electronic submittal of contract data requirements will eliminate the need to submit paper documents. Requiring the PCO to issue a final notice allows DFAS to indicate acceptance of CDRL items in MOCAS and facilitates movement of contracts to MOCAS section 2.

**Cost:** None. Training to implement these recommendations will be minimal.

**Benefits:** \$15M annually

Formula: Number of delinquent contracts x 50% x 3 hours x \$63.75 = Benefits

# of delinquent contracts = 156,501 (from MOCAS data)  
 50% = percent of total delinquent contracts due to CDRL items  
 3 hours = total average time to research and resolve issues  
 \$63.75 = average federal employee CAS reimbursable rate

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## Implementation Plan:

1. Action Office: DCMC
2. Modify DFARS 204.804-2, and other pertinent coverage as necessary, to require PCOs, in coordination with the Program Management Office, to issue a final notice to DFAS that all CDRL items have been delivered and accepted. Recommend a Defense Acquisition Regulation (DAR) case be completed no later than July 15, 1999. Upon disposition of it and adoption of the revised coverage, recommend an interim rule be published to expedite implementation of the DFARS change.
3. Modify DFARS 204.804-2, and other pertinent coverage as necessary, to authorize cognizant ACOs to issue a "Statement of Acceptance" for source acceptance deliveries and the cognizant PCO to issue a "Statement of Acceptance" for destination acceptance deliveries. The ACO shall be authorized to direct a MOCAS database correction illustrating physical completion of all contract requirements except CDRLs. The ACO's issuance of the "Statement of Acceptance" shall occur only after (1) consultation with the cognizant PCO, (2) all reasonable efforts have been expended to obtain the required information from the contractor or responsible Government office, and (3) a risk analysis is conducted prior to taking action.

## Milestones:

ID	Task Name	1999					2000				2001				
		Qtr 4	Qtr 1	Qtr 2	Qtr 3	Qtr 4	Qtr 1	Qtr 2	Qtr 3	Qtr 4	Qtr 1	Qtr 2	Qtr 3	Qtr 4	Qtr 1
1	Issue DAR Case														
2	Staff DFARS Change and other document changes														

## Metrics:

- Reduction in delinquent and overage contract closeouts.
- Metric formula:
  - Total number of delinquent contractors divided by total number of contracts administered.
  - AND
  - Total number of contracts open beyond the FAR mandated timeframes divided by total number of contracts closed during the prior calendar month.

## Conclusion:

Placing sole responsibility on the PCO, in coordination with the Program Management Office, for CDRL verification will streamline the process by removing a non-value added administrative action, ACO verification of CDRL delivery. Issuance of a "Statement of

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Acceptance”, on other than CDRL deliveries, will facilitate timely contract closeout through quicker database reconciliation.

## **F. DEOBLIGATION AUTHORITY FOR THE Administrative Contracting Officer (ACO)/Termination Contracting Officer (TCO)**

### **Issue:**

During the contract closeout and termination for convenience processes, the PCO must delegate authority to the ACO to deobligate excess funds after the final price of settlement has been determined. Requiring this delegation on a contract by contract basis delays the receipt of funds returning to the program office.

### **Recommendation:**

Provide ACOs and TCOs an automatic delegation to deobligate excess funds.

### **Discussion:**

Once the final price is determined on the contract and excess funds identified, the ACO, in accordance with the FAR, has to request authority from the PCO. Upon delegation of this authority, the ACO and TCO can then execute a modification to deobligate the excess funds.

### **As Is Process:**

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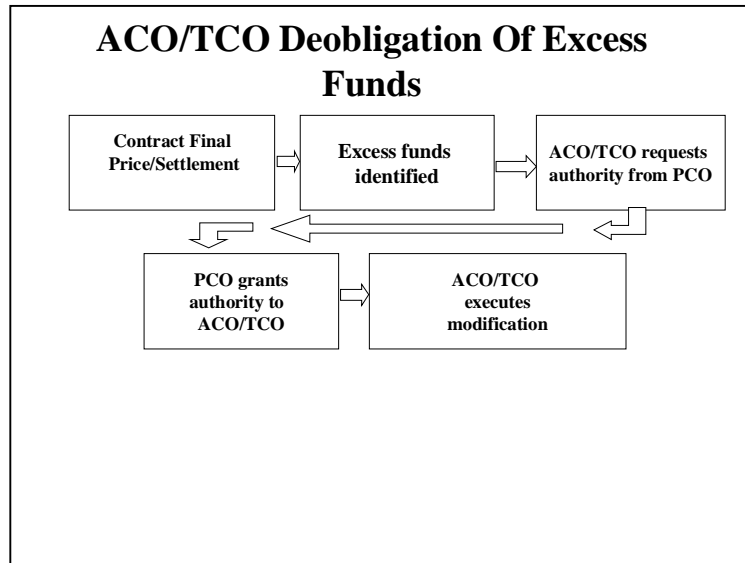


Figure 14

## To Be Process:

The chart below illustrates the recommended process. After final price determination or settlement the ACO and TCO can immediately deobligate the excess funds without waiting for the PCO's authority.

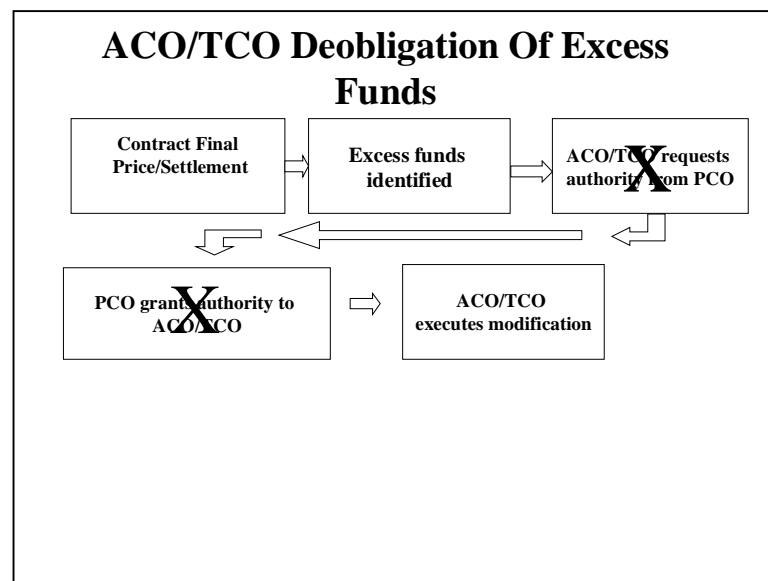


Figure 15

The CCWIPT believes the process for obtaining PCO delegation to deobligate excess funds after final price has been determined, or termination settlement obtained, is a non-value added step in the closeout and termination processes. When the PCO delegates to

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the TCO the authority to negotiate a settlement of a full termination for convenience or final price determination, the delegation should be spelled out on the contractual document/modification and include authority to deobligate excess funds as soon as can be determined. Once the final price has been determined, or a termination settlement obtained, there is little to no risk of having ACOs or TCOs deobligate excess funds. If the ACO had blanket authority to deobligate funds, the necessary modifications could be processed in a more timely manner, thereby reducing the closeout cycle time.

FAR 42.302(b) states, “the CAO shall perform the following functions only when and to the extent specifically authorized by the contracting office. FAR 42.302(b)(4) states, “negotiate or negotiate and execute supplemental agreements providing for the deobligation of unexpended dollar balances considered excess to known contract requirements.”

The CCWIPT recommendation eliminates ACO/TCO requests for deobligation delegation. The traditional form of delegation is requested and received through written correspondence or electronic mail transmission. Manpower and time savings should occur by eliminating ACO/TCO and PCO administrative and coordination activities, including mailing time.

Relative to an ACO’s authority to deobligate, DCMC Baltimore provides an example of real world application. DCMC Baltimore requests deobligation authority on their contracts at the beginning of each fiscal year. The ACOs provide a listing of contracts where excess funds have been identified to the buying offices with a request for authority to issue a deobligation modification. The PCO can grant authority to the ACO for the listed contracts at that time. DCMC Baltimore’s experience in this area provides a practical illustration of positive feedback for this FAR change and supports that the change saves time in closeout. They have received blanket authority from major buying commands for all services.

Relative to a TCO’s authority to deobligate, data provided by DCMC under the Termination Automated Management System from October 1997 to March 1998 shows approximately \$81M of excess funds available for deobligation after negotiated settlements were obtained. If this rate is sustained for the remainder of the year, by allowing the TCO authority to execute the modification there is a potential for approximately \$160M to be deobligated more rapidly. Currently, NAVICP - Mechanicsburg, is in the process of issuing a blanket deobligation for DCMC TCOs.

## **Resulting Effects:**

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## **Advantages:**

- Excess funds reduced from the contract can be returned to the Program Offices in less time. The recommended process will save coordination time for the ACOs/TCOs. ACOs/TCOs will not have to wait for PCO authorization allowing the ACO/TCO to proceed with contract closeout and termination actions.

**Costs:** None. No training is required.

**Benefits:** \$172,253 annually\*

\*Sample limited to DCMC data.

1. Program Office mission capability is enhanced by cycle time reduction from receipt of deobligated excess funds.
2. Of the total DCMC population of 19,118 physically complete overage contracts, approximately 149 contracts are awaiting removal of excess funds. This percentage of 0.8% when extrapolated to the total active contracts population (approximately 168,854 administratively complex, active contracts and BOAs) equates to approximately 1,351 contracts in DCMC estimated to contain excess funds (168,854 DCMC delegated contracts x 0.8% = 1,351 contracts awaiting excess funds).

The CCWIPT estimated the average time for the ACO to request and receive delegation authority, on a specific contract, from the PCO to be two hours. Therefore, if this estimate is applied to the above population for contracts with excess funds with an average federal employee CAS reimbursable rate of \$63.75 per hour, the resultant benefit is approximately \$172,253. (1,351 x 2 hours x \$63.75 = \$172,253).

## **Implementation Plan**

1. Action Office: Air Force
2. Recommend Director of Defense Procurement issue a departmental letter implementing this change prior to a FAR case being approved.
3. Recommend FAR 42.302(a) be modified to include an additional automatic delegation, which would read: "ACO authority to deobligate excess funds subsequent to final price determination."

## **Milestones:**

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ID	Task Name	1999					2000				2001				
		Qtr 4	Qtr 1	Qtr 2	Qtr 3	Qtr 4	Qtr 1	Qtr 2	Qtr 3	Qtr 4	Qtr 1	Qtr 2	Qtr 3	Qtr 4	
1	DDP departmental letter issued														
2	Staff FAR Change														

## Metrics:

- Overage contracts awaiting excess funds removal will be reduced.

## Conclusion:

The CCWIPT firmly believes acceptance of this recommendation eliminates a non-value-added task and supports the buying community by making current or expired funds immediately available after final price determination.

## G. IDIQ/BOA ORDER CLOSEOUT

### Issue:

DCMC data indicates approximately 75% of overage contracts are Basic Ordering Agreement (BOA) orders and Indefinite-Delivery Indefinite-Quantity (IDIQ) task orders. This information indicates a potential area for process improvement. The CCWIPT reviewed the BOAs/IDIQs both for opportunities to reengineer the contract closeout process and alleviate the current workload backlog. The team's analysis revealed IDIQ task orders become overage for the same reasons as other types of contracts, however BOA orders may become delayed for closeout due to improper contract clause flowdown. Reengineering recommendations are based upon these findings.

### Recommendation:

The CCWIPT is recommending a screening process of the flow down requirements from the BOA to the individual orders be implemented. Efforts to help with the current backlog are addressed by the other recommendations in this report, such as the submittal of the final invoice/voucher. Additionally, the CCWIPT supports the DCMC/DFAS proposed initiative for funds reconciliation, "FAST TRACK", and recommends this methodology be expanded beyond the initial 53 test contracts. Finally, the CCWIPT supports the on-going efforts by DCAA/DCMC for "real-time" rates and the expanded use of quick-closeout procedures. Following are the recommendations specifically related to BOA order clause flowdown:

- DCMC initiate a team to develop a method for minimizing improper BOA clause flow down. This team shall evaluate the initiation of a FAR case to require contracting officers to incorporate only clauses applicable to each individual action when placing an order under a BOA.

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- Should a FAR case, as mentioned above, be required, DDP issue a class deviation to have all Services screen each BOA order for the applicable terms and conditions and exclude the clauses that are not applicable to the specific order. Specifically, have a policy class deviation require the issuing activity call out the terms and conditions from the BOA that “only” apply to each specific order.
- Modify SPS so that it can identify the applicable clauses to flow down to orders based upon contract type and effort type. SPS also needs to have all other clauses available from a drop down menu list.

## Discussion:

In April 1998, DCMC had 19,118 contracts classified as overage because they exceeded the FAR designated time frame for closeout after physical completion. 14,261 of these are BOA order contracts and IDIQ task orders. The top four overage reasons were: (1) contractor has not submitted the final invoice/voucher, (2) negotiation of overhead rates pending, (3) awaiting notice of final payment, and (4) final audit in process. These four reasons constitute 73% of the total overage reasons for closeout of BOAs/IDIQs. The following chart illustrates the top 4 reasons for BOA/IDIQ overages are reflective of other contracts, i.e. not unique:

<u>Overage Reason</u>	<u>%BOAs/IDIQs</u>	<u>%Contracts</u>
Final Invoice/Voucher	31%	28%
Overhead Negotiation	24%	17%
Notice of Final Payment	10%	2%
Funds Reconciliation Paying Office /Contractor	8%	17%

As stated above, the numbers show closeout impediments for BOAs/IDIQs are not unique from other types of contracts. In addition, because they are contracts, BOAs/IDIQs follow the same closeout process. The only difference for the IDIQ type contracts is that the individual task orders are closed as the effort is completed, but one task order is "held" open to reconcile/adjust the overall IDIQ contract. This is possible because the order is not a contract in itself under an IDIQ. The IDIQ is the contract, not the order placed under it. On a BOA, each order is a contract and the basic is only a written instrument of understanding, not a contract. The BOA is negotiated between an agency, contracting activity, or contracting office and a contractor. A BOA contains (1) terms and clauses applying to future contracts (orders) between the parties during its term, (2) a description, as specific as practicable, of supplies or services to be provided, and (3) methods for pricing, issuing, and delivering future orders under the BOA. Additionally, the basic ordering agreement indicates the sort of orders (contracts) that are expected to be placed and provides some standardized clauses expected to be used in each order.



# FINAL

Several of the recommendations for reengineering the contract closeout process contained in this report will also positively impact the closure of BOA/IDIQ orders. For example, requesting final vouchers be submitted or be subject to a unilateral determination, or CRDL acceptance by the PCO, etc. The contractor's submittal, or lack of submittal, of the final invoice/voucher is the number one reason, at 31% of the overage contracts (BOA/IDIQ orders), and as such the CCWIPT recommendation directly impacts the most significant reason holding up contract (BOA/IDIQ Order) closeout.

However, the CCWIPT believes there are further opportunities for improvement through changes to the clause flowdown process for BOAs. In accordance with FAR 16.703(d)(2)(ii), the terms and conditions called for in the BOA automatically flow down to the individual orders. The automatic flow down of clauses, such as the requirement for FAR 52.227-12 Inventions & Patents, causes unnecessary review, reporting, and impedes closeout of orders. Currently, BOAs have boiler plate FAR/DFARS clauses to accommodate any possible type order that may be issued under them. For example, there are many BOA orders issued for engineering research requiring FAR 52.227-12, where as other orders issued under that BOA, say for production or repair, would not require such a clause. The CCWIPT found most orders simply referred to all BOA clauses via a reference statement without regard to the type of order. When this is the case, all BOA clauses flow down to each order, and the ACO spends time making corrections to computerized data systems such as MOCAS to facilitate automated closeout.

The CCWIPT analyzed the initial contract review process and found it takes approximately one hour to review the contract/order for applicable terms and conditions, such as the patent requirement. If the patent requirement is not applicable, then the administration office is required to correct the coding in MOCAS. Some corrections to MOCAS can only be handled by a DCMC "Trusted Agent." In this situation additional time, above the one hour for initial review, is needed to correct MOCAS. As of June 3, 1998, DCMC had 1,930 open/active BOAs with 76,047 orders requiring ACO closeout action. Each order requires on average, one hour to review and make corrections to MOCAS. This effort could be reduced, if not eliminated, by having only applicable clauses referenced in the individual delivery orders.

The CCWIPT reviewed several methods to have only the applicable clauses flow down. This would require a deviation to 16.703(d)(2)(ii) FAR. One method, although not agreed to by the team, was to have PCOs develop a clause/CLIN matrix identifying each clause with the associated contract line item, such as:

<u>Clause</u>	<u>Applicable CLIN</u>
52.219-16	0001,0004, etc.
52.227-12	0100,0104, etc.

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The CCWIPT believes a team should be assembled to develop a specific method for improving this effort, as the focus of the CCWIPT was contract closeout. It is felt significant benefits will arise from well-written BOA orders.

## **Resulting Effects:**

### **Advantages:**

- Elimination of nonvalue-added administrative effort
- Reduction to contract closeout cycle time
- Potential benefits as noted for the patents clause is a reduction of 76,000 hours
- DCMC currently has metrics in place to measure contract closeout
- Cost to implement is considered minimal

**Costs:** \$2.3M annually if a FAR case is adopted. No training is required.

Formula: Number of BOA orders x hours to determine clauses to exclude in the specific order x average hourly rate of Government employees

11,965 = # of BOA orders administered by DCMC

3 hours = Total average time to research applicable clauses to exclude from order

\$63.75 = average federal employee CAS reimbursable rate

**Benefits:** \$4.8M\*

See Discussion for details of computation.

76,000 (hours spent correcting the boilerplate clauses)

x \$63.75 (average federal employee CAS reimbursable rate)

= \$4.8M annually involved in closeout process

\*Sample based upon patents clause example.

## **Implementation Plan:**

The implementation needs to be resolved by a team to review all aspects of this issue. The focus of the CCWIPT was the impact to contract closeout process, and, as such, the following are the CCWIPT's implementation plans:

1. Action Office: DCMC
2. DCMC initiate a team to develop a method for minimizing improper BOA clause flow down.
3. DDP issue a class deviation to FAR 16.703(d)(2)(ii) no later than December 1, 1998.

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4. SPS Program Office insures contract writing logic exists to allow for flow down of applicable clauses based not only on contract type (FFP) but effort type (R&D). Prior to SPS Version 5 deployment have buying activity take ownership of training and implementing flow down of only those clauses that are applicable.

## Milestones:

ID	Task Name	1999					2000				2001				
		Qtr 4	Qtr 1	Qtr 2	Qtr 3	Qtr 4	Qtr 1	Qtr 2	Qtr 3	Qtr 4	Qtr 1	Qtr 2	Qtr 3	Qtr 4	
1	DCMC initiate team														
2	DDP class deviation issued														
3	Staff FAR Change														

## Metrics:

- Existing DCMC metrics are available (e.g., overage contracts).

## Conclusion:

While implementation of the recommendations on other contract closeout processes, and changes to the clause flowdown process, will improve closeout of BOAs and IDIQs, further study in this area is required.

## H. INVENTIONS, PATENTS & ROYALTIES

### Issue:

Waiting on final clearance of the Report of Inventions and Subcontracts (DD882) from the prime contractor or waiting on Legal Sufficiency from the buying command office of counsel are closeout impediments. The CCWIPT believes changes can be made to the reporting requirements, which will eliminate these impediments and eliminate non-value added reporting steps.

### Recommendations:

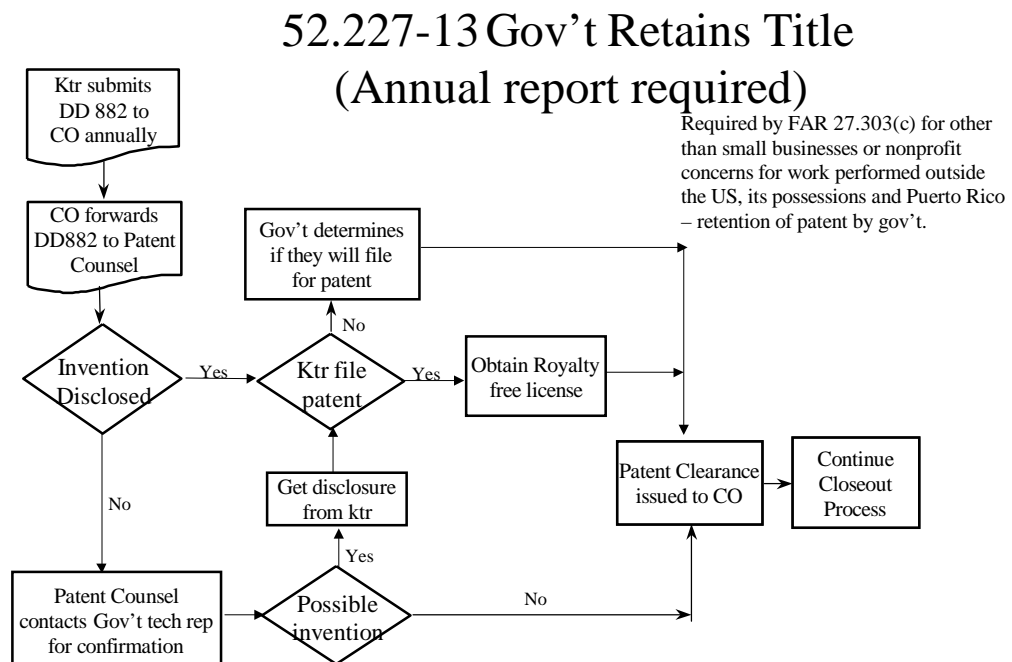
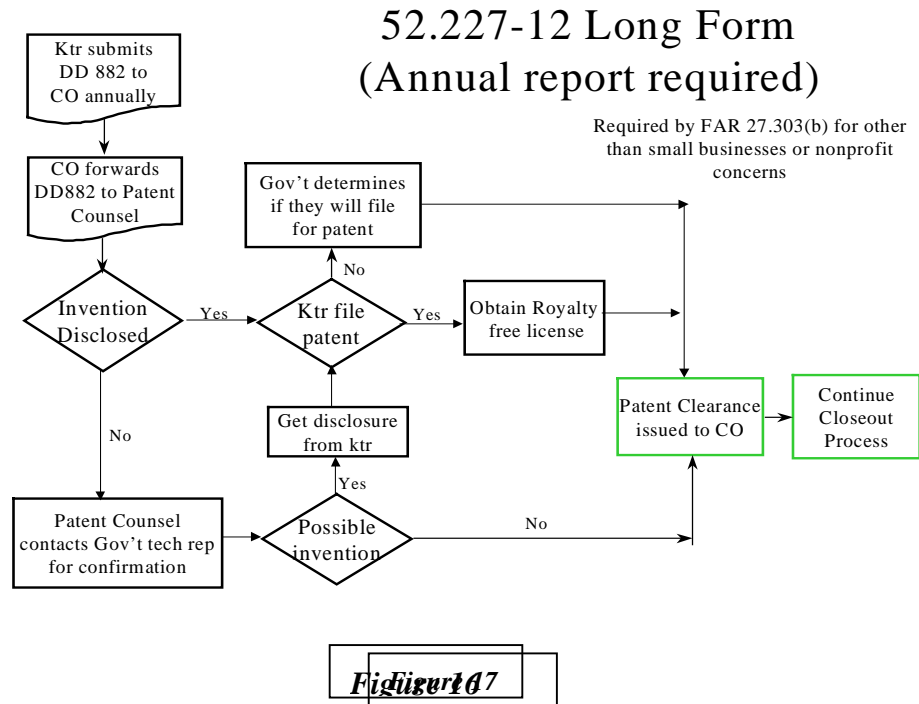
- Establish a team (with representation DoD-wide) to further evaluate this process for improvement. This team must include representation from agency patent attorneys and industry. This team may consult with the U.S. Patent and Trademark Office as appropriate.
- Create a centralized invention, patent and royalty database, or utilize an existing information system to centralize this information (e.g. existing past performance database).

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- Utilize the Wide Area Workflow to allow paperless submittal of the DD Form 882, Report of Inventions and Subcontracts, or an industry equivalent to the DD Form 882. (This recommendation is considered to be part of the WAWF recommendation and effort.)

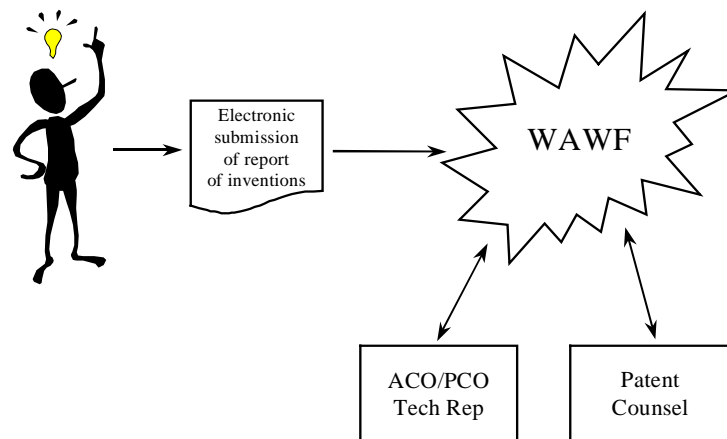
## Discussion:

**As Is Process:** There are three FAR clauses for patent/invention reporting.



## To Be Process:

### Paperless Patents



*Figure 19*

Patents give their owners a limited-time right to exclude others from making, using, or selling a patented invention. Patent rights are granted only to the first, original, and true inventor. Applications for patents are always filed in the name of the individual inventors and can be owned by the inventors. However, when employees of a company make inventions, the patent rights often belong to the employer. Inventions made under Government contracts or grants normally result in the Government getting rights in the patented subject invention as stated in FAR 27.302.

The ACO is responsible for obtaining any patent reports required by the contract. FAR 42.302(a)(58) requires administration offices to "Ensure timely submission of required reports." FAR 4.804-5(a)(2) requires the office administering the contract to ascertain that the final patent report is cleared prior to contract closeout. There are three FAR clauses covering submittal of a report of inventions: FAR 52.227-11, -12 and -13. These three FAR clauses each contain a similar process: if an invention is disclosed, the

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contractor or Government will decide whether to file for a patent, the patent counsel will evaluate the patent request and issue patent clearance if approved, and the contract is then closed. Both FAR 52.227-12 and -13 require the contractor to submit a report of inventions regardless of whether they have any inventions to report. FAR 52.227-11 requires the contractor to submit a report of inventions only if an invention actually occurs. However, the no-report option of the -11 clause does not apply to DoD contracts since DFARS 227.303(a) requires all contracts using the FAR 52.227-11 clause to incorporate the DFARS 252.227.7039 clause. This clause also requires an annual submission of reports even when there is no invention. For all three FAR clauses, when there is an invention, waiting on final clearance of a negative report, or waiting for the contractor to furnish a confirmatory instrument (up to 3+ years) allowing clearance of a report of inventions, can be a closeout impediment.

There was a problem with collecting statistics/measures to see the impact of any changes to this process. Attempts were made to find quantitative information concerning how much money the Government saves/spends in administering and defending patent issues to determine if the entire process is necessary. It was found that there is no central place to collect information on inventions reported to the DoD. Without a central database, it was not possible to quantify the number of contracts that contain the various clauses (how many contain the -11 vs. the -12 vs. the -13). The CCWIPT reviewed the MOCAS database for the coded remark indicating a patent report is due on the contract. In the MOCAS database there are currently 168,854 contracts in active status. Of those, 14,953 contracts contain the patent clause (MOCAS cannot discern which clause is called out on the contract from the database). We also could not find data to show how often and how much the withhold called out in the -12 or -13 clause is used. Based on the lack of data, the CCWIPT did not believe a recommendation to eliminate the patent reporting process would be prudent.

The CCWIPT does believe the submission of a negative report may be an unnecessary step in the inventions and patents process. Subject invention disclosure submittals are the responsibility of the contractor. The Government still retains its rights in the patented subject invention even if the negative report is not submitted. Lack of submission can make it more difficult for the Government to prove an invention should have been reported, but the CCWIPT believes that if the proper contractor systems are put in place the need for a negative report will be eliminated. In discussions with the Department of Justice, a signed negative report from a contractor does little to help the Government's position in defending a patent issue in court. The courts are interested in two things - is there a patent clause in the contract and was there an invention under the contract? In other words, as long as the clause requiring submission of disclosure of an invention is in the contract, the Government's rights are protected. The only possible exception to this would be in attempting to prove patent fraud on the part of a contractor. The CCWIPT could find no data to quantify this situation.

Naval Air Systems Command, Office of Counsel, was contacted to see if they could provide any data. They have established a local database to keep some statistics since

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closeout is a high priority. They have been collecting information for a year and have loaded in old cases, so this data might be representative of a larger population. According to the database, 1,068 DD882s (Report of Inventions and Subcontracts) have been submitted. 898 or 84% of those submitted were negative reports. Included in the 898 negative reports were 40 instances of unreported inventions that should have been reported.

In the area of a central repository for all invention, patent and royalty information the CCWIPT found a recent GAO report (GAO/RCED-98-126) to Congressional Committees on administration of the Bayh-Dole Act (of 1980). This report identified the lack of a central database as an impediment to administering the act. The basic provisions of the act applied only to universities, other nonprofit organizations and small businesses, but was extended to large businesses by Executive Order 12591, dated April 10, 1987. The GAO report was limited to a review of research universities. However, the finding that administration of the Act is decentralized seems to coincide with our findings that there is no centralized place to find data concerning the Government and inventions.

The establishment of a central DoD database would allow all documents used in the inventions, patents and royalties process to be collected and easily analyzed for future recommendations. We realize there is an issue with the electronic submission of the confirmatory license to the U.S. Patent and Trademark Office, due to the requirement for original signature and a raised seal. The CCWIPT believes these requirements may be able to become electronic through such methods as encryption and electronic signature. This option should be considered when developing the DoD centralized invention, patent, and royalty database.

Royalty reporting generally occurs at the solicitation/proposal phase of contracting. The contractor reports to the Procuring Contracting Officer the costs of royalties included in their proposal. To the extent the Government requires royalty reports subsequent to contract award (see FAR 52.227-11(h) Patent Rights – Retention by Contractor (Short Form) and FAR 52.227-12(h) Patent Rights (Long Form)), such reports may be sent to our proposed patent database with all necessary alerts to Government personnel.

## **Resulting Effects:**

### **Advantages:**

- Further study on this process will ensure the best improvements to the process are instituted while still protecting the Government's interests.
- Assures the Government is not paying for the same invention more than once due to a central repository of all DoD inventions.
- A DoD database will allow us to collect metrics to make future recommendations.
- Paperless submission of the DD Form 882, or an industry alternative document, using WAWF will reduce the time required to review the final patent report and thus reduce or eliminate unnecessary delays in the closeout process.

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## Cost:

The team responsible for identifying final improvements to this process will determine cost impacts. This should include a cost benefit analysis to implement a single database, costs to implement and maintain a single database if deemed cost effective, and training for the improved process and database.

## Benefits:

1. Estimated \$228,990 at each command within DoD if negative report is eliminated (may be revised once final resolution from team is determined)\*

898 (# of negative reports received)  
x 4 hours  
x \$63.75  
= \$228,990

Potential benefits are significant.



\*Sample data from NAVAIR.

2. Significant benefits would be realized by not paying a contractor twice for an invention, however, no specific data is available to quantify these cost savings.

## Implementation Plan:

1. Action Office: Navy to coordinate with other Services to study further the possibility of streamlining the invention reporting process while protecting the Government's interests.
2. Action Office: Navy to coordinate with other Services for single database.

## Milestones:

ID	Task Name	1999					2000				2001				
		Qtr 4	Qtr 1	Qtr 2	Qtr 3	Qtr 4	Qtr 1	Qtr 2	Qtr 3	Qtr 4	Qtr 1	Qtr 2	Qtr 3	Qtr 4	
1	Navy initiate team														
2	Develop invention/patent database														

## Metrics:

- Number of paperless submissions divided by total number of required reports.

## Conclusion:



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Further study by a group with expertise in this process is recommended. The CCWIPT believes the requirement for negative reporting may be unnecessary. We also believe the Government's rights to an invention may be adequately protected by the patent clause, such that closing the contract prior to receipt of the confirmatory license would be possible and pose no harm to the Government. However, the CCWIPT realizes it was unable to sufficiently analyze this process to recommend these changes without further study.

We do believe that establishing a centralized database of inventions, patents, and royalties is a useful tool for buyers to eliminate possible duplication of efforts among the Services. In addition, we believe that paperless submission of the DD Form 882, or an industry alternative document, using the WAWF will significantly reduce the time required to review the final patent report and thus reduce or eliminate unnecessary delays in the closeout process.

## **I. OVERHEAD RATES**

### **Issue:**

Closeout of flexibly priced contracts is delayed because of untimely settlement of final indirect rates. Overhead rate settlement is currently the second leading reason for delayed closeout.

### **Recommendation:**

Deputy Secretary of Defense (DEPSECDEF) requires periodic progress reports on current tests and pilot programs being conducted to shorten the overhead settlement cycle time and lessen the impact of rate settlement on the contract closeout process. DoD should immediately implement changes based upon those tests or pilot programs that have been determined to be successful in expediting contract closeout.

### **Discussion:**

The CCWIPT validated the overhead settlement process as a key action to be completed prior to contract closeout. Overhead rates are needed to determine final costs on flexibly priced contracts. Historically overhead rate settlement has taken several years beyond the regulatory time limits. The CCWIPT believes the overhead settlement process can be shortened. Several tests and pilot programs are on going with the Air Force, DCAA and DCMC, aimed at reducing audit cycle times and allowing the expanded use of quick closeout procedures. The CCWIPT felt it premature to recommend implementation of these tests and pilot programs prior to completion of testing. On-going tests and pilot programs include:

### **Air Force and DCMC Class Deviations to FAR Quick Closeout Procedures**

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The Air Force has issued a class deviation to FAR 42.703-1(b), 42.703-1(c)(2), and 42.708(a)(2). This deviation allows the use of quick closeout procedures on all flexibly priced contracts regardless of the \$1 million or 15% threshold. An 18-month test period has begun to measure the impact of the deviation. The Air Force anticipates eliminating the quick closeout thresholds will reduce the average time to close contracts.

DCMC has issued a class deviation to FAR 42.703-1(b), FAR 42.703-1(c)(2), and 42.708(a)(2)(i) authorizing ACOs to use quick-closeout procedures without regard to dollar value or the percent of unsettled indirect costs allocable. It is applicable to all contracts administered by DCMC when all the conditions spelled out in the DCMC deviation are met. The intent of the class deviations is to assess whether applying modified contract closeout procedures will impact the timeliness with which contracts are closed. This class deviation is in force through September 30, 1999.

Both the Air Force and DCMC class deviations make provisions to close contracts with unaudited rates. In effect these class deviations remove the limitations found in the current quick-closeout FAR provision. It is recognized that significant funds could be at risk of canceling, or a review of the contracting circumstances and related data could show the additional risk of closing contracts without audit is worth taking. However, the class deviations state that audit may only be waived when compelling reasons to do so exist, or data shows the increased risk is worth taking.

## **Latest Rates Available/Trend Analysis (LRA/TA)**

Air Force Materiel Command, Aeronautical Systems Center, Eglin Air Force Base Operating Location are testing an approach that uses the latest rates available to determine final contract cost. Rate sources would include Forward Pricing Rate Agreements, Forward Pricing Rate Recommendations and DCAA Recommended Rates; interim-billing rates are preferred. Since the above Air Force class deviation to FAR quick-closeout procedures has been issued, the LRA/TA approach may be used on a less recurring basis.

## **Real Time Rates**

DCMC is advocating an IPT approach for reviewing contractor incurred costs during the year the costs are incurred. This approach being tested should result in a streamlined process for establishing and monitoring Forward Pricing Rate Recommendations, Forward Pricing Rate Agreements, and final Overhead rates.

## **DCAA's Procedure for Reviewing Incurred Cost Proposals at Contractors with an auditable dollar volume (ADV) of \$10 million or less.**

Final annual incurred cost proposals at contractors with an ADV of \$10 million or less are being selectively audited based on contractors' prior record of contract compliance. All high-risk proposals continue to be audited. Approximately one-third of low risk proposals

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are selected for audit using random sampling techniques. Desk review procedures are applied to the remaining two-thirds of low-risk proposals. The limit has recently been raised from \$5M to \$10M.

## DCAA's Concurrent Auditing

DCAA developed an audit program providing draft guidance for auditing incurred costs (final overhead rates) on a real-time basis. The intent is to perform as many audit steps as possible in the current period, prior to receipt of the certified proposal, in order to facilitate final rate settlement and contract closeout. The DCAA goal is to reduce the cycle time for major contractors from 12 to 3 months.

## Resulting Effects:

### Advantages:

DCAA Initiatives:

- The raising of the threshold from \$5M to \$10M allows the concentration of resources to be directed to more high-risk areas.
- The use of concurrent auditing will reduce the cycle for the completion of the review of final overhead rates from 12 to 3 months.

The purpose of making a recommendation to act upon successful completion of tests and pilot programs is to present DEPSecDEF with a list of overhead-related activity in the DoD arena. The CCWIPT hopes the on-going tests and pilot programs will continue to receive the high-level attention necessary for immediate implementation upon completion.







**Costs:** Tests and pilot programs are currently on going and no mechanism was established to track cost of implementation. Also, there is currently no method of tracking the cost of extended closeout. Training required will be defined once it is determined which tests and/or pilot programs will be institutionalized.

**Benefits:** Resources and cycle time reduction due to the lower number of audits being reported.

## Implementation Plan:

Action Office: DCMC

## Milestones:

ID	Task Name	8	1999					2000				2001					
		Qtr 3	Qtr 4	Qtr 1	Qtr 2	Qtr 3	Qtr 4	Qtr 1	Qtr 2	Qtr 3	Qtr 4	Qtr 1	Qtr 2	Qtr 3	Qtr 4	Qtr 1	
1	Agencies test O/H processes																
2	Agencies compile results																
3	Results briefed to DEPSecDEF																
4	Staff FAR Change for Quick Closeout																

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## **Metrics:**

- Measurements for Air Force and DCMC Class Deviations:
  - Average time, in months, to close physically completed contracts (a downward trend is expected)
  - Average percent overage (a downward trend is expected)
- Measurements for DCAA Initiatives:
  - Savings of resources
  - Reduction of cycle time
  - Number, and dollar value, of contracts closed using this process

## **Conclusion:**

Each effort has the potential for significant, low-risk, time savings and the CCWIPT believes they should be institutionalized immediately if found successful.

The CCWIPT believes there is not enough data to support institutionalizing on-going tests or pilot programs. Each of these efforts has the potential for significant reductions in the overhead settlement process. The team believes a recommendation to evaluate the tests upon completion, is warranted. Each test or pilot program determined successful should be institutionalized, resulting in changes to the way we do business. Regardless of the output of any of these efforts, the CCWIPT felt a tool was necessary to allow closeout of a large contract when prudent business decisions dictate.

## **II. OTHER RECOMMENDATIONS**

### **A. DEFENSE ACQUISITION DESKBOOK**

#### **Issue:**

The CCWIPT has found many defense acquisition personnel are not aware of the Defense Acquisition Deskbook (DAD) nor do they know how it can be accessed. We also believe that, though the DAD includes many “lessons learned”, in the area of contract closeout this information could be enhanced. Including publicly releasable contract closeout

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“lessons learned” in the DAD would assist all acquisition personnel in solving closeout issues and thus quicken the process overall.

## **Recommendation:**

- Modify the DAD to increase the interactive capability of this web-based application.
- Increase advertisement of the existence and location of the web based DAD to all defense acquisition personnel.
- Require publicly releasable contract closeout “lessons learned” be included in the DAD.

## **Discussion:**

The DAD is an excellent, concentrated source of acquisition information. However, it is not used as fully as it could be by the acquisition community. We believe the surest way to get the DAD to all acquisition personnel is to task the data processing community cognizant of each acquisition activity to load the DAD on each computer or on their organizations’ local area network. In addition, encouragement to use the DAD should be flowed down through acquisition leadership.

The original version of DAD was written in C++ and is available on CD-ROM, through file transfer protocol (FTP) from the Internet. DAD is also available through FTP download of the “viewer” (basic DAD driver program) for online Internet access to file and document libraries. Both download options use a large amount of computer memory. The complete download and CD ROM options require perpetual, time-consuming updating to maintain currency. We support the current effort to making the DAD a more interactive Internet site. This new DAD Web Edition is available at [web.DAD.osd.mil](http://web.DAD.osd.mil) and has much of the same functionality as the original, although the look and feel is different. It is accessible through standard web browsers. This would improve access substantially by requiring no additional memory at the local level, the most current version would always be available without continual downloads, and everyone would have immediate access through any internet browser.

## **Resulting Effects:**

### **Advantages:**

More educated workforce.  
Efficiency will develop over time.

### **Costs:**

Initial implementation: 2 people x 1 week x \$2,500 (TDY & salary) = \$5,000  
Annual cost - maintain = \$50,000\*  
No training is required.

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\*average lump sum skill mix = \$50K annually




## Benefits:

Actual benefits cannot be quantified. However, a better-educated workforce should reduce contract closeout cycle time.

## Implementation Plan:

Action Office: DLSC

## Milestones:

ID	Task Name	1999					2000				2001				
		Qtr 4	Qtr 1	Qtr 2	Qtr 3	Qtr 4	Qtr 1	Qtr 2	Qtr 3	Qtr 4	Qtr 1	Qtr 2	Qtr 3	Qtr 4	
1	Modify the DAD to increase the interactive capability														
2	Increase advertisement of the existence and location of the web based DAD														
3	Require publicly releasable contract closeout "lessons learned" be included in the DAD.														

## Metrics:

- Deployment - 100% of DoD personnel will have access to the DAD.
- Awareness – 95% of DoD personnel with knowledge of DAD.

## Conclusion:

If the acquisition community knew all contract “lessons learned” could be efficiently located in the DAD, then they would be much more likely to utilize this tool to find ways of solving their closeout problems and thus speed the overall closeout process.

## B. POINT OF CONTACT (POC) FOR ACQUISITION OFFICIALS

### Issue:

Contract administration and DFAS officials often have difficulty locating the current PCO during the closeout process. In some cases it may be the PCO or DFAS trying to contact the cognizant ACO.

### Recommendation:

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- Incorporate into the Internet based DFARS, Appendix G a hyperlink to each DoD contracting activity, i.e. link directly to either the activity's Web page or E-mail address.
- Establish a link on the DAD entry screen titled "Acquisition Activity POC" which ties directly to DFARS, Appendix G.
- Establish an Internet web site and/or email address for each contracting activity (DoD Activity Address Code (DODAAC) level).
- Establish a POC at each contracting activity who is responsible for directing callers to responsible contracting officials.

## **Discussion:**

Between contract award and contract closeout the responsible contracting official may change several times. Many times during the final closeout process questions arise related to contract terms and/or contract payment issues. For the closeout process to continue, the cognizant contracting official must answer these questions and/or make decisions relative to contract terms. Delays are often experienced while contract administration or DFAS officials attempt to contact the cognizant PCO who can/will make the decisions necessary to settle these issues.

Hyperlinking each contracting activity from DFARS, Appendix G would provide an immediate access to an official POC at each contracting activity by DODAAC code. This POC would be responsible for maintaining the names, phone numbers, e-mail addresses, and contract assignments for each contracting official within that activity. The acquisition official identified by the POC would be responsible for decisions related to closing the contract.

The DFARS, Appendix G was selected for this purpose because:

- It is already available as an interactive application on the Internet,
- A system is already in place to maintain the Appendix G,
- Only the hyperlinked web page and e-mail address would need to be added to the current information.

## *Exhibit of Change:*

DAAB07 USA Communications-Electronics Command  
BG C3I Acquisition Center  
ATTN: AMSEL-ACSP-BM  
Fort Monmouth, NJ 07703-5008

POC: <http://www.monmouth.army.mil/cecom/ac/ac.html>

E-mail: [masiar@doim6.monmouth.army.mil](mailto:masiar@doim6.monmouth.army.mil)

N00039 Space and Naval Warfare Systems Command  
NS\* 2451 Crystal Drive  
NS0-9 Arlington, VA 22245-5200

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POC: <http://www.nosc.mil/spawar/welcome.page>

F33601 ASC/PKWO  
Q7 1940 Allbrook Dr Ste 3, Bldg 1  
Wright-Patterson AFB, OH 45433-5309

POC: <http://www.wpafb.af.mil/acq.html>

## Resulting Effects:

### Advantages

- Ensures easy access to contract points of contact
- Facilitates timely resolution of contract issues

### Costs:

- Initial implementation: 2 people x 1 week x \$2,500 (TDY & salary) = \$5,000
  - Annually - maintain = \$50,000\*
- No training is required.

\*average lump sum skill mix = \$50K annually

### Benefits:

Actual benefits cannot be quantified. However, a better-informed workforce should reduce contract closeout cycle time.

## Implementation Plan:

1. Action Office: DLSC
2. As allowed for under current DoD security policy, issue a DoD directive requiring:
  - Contracting activities, as listed in DFARS, Appendix G, to establish and maintain a primary point of contact with provision for backup.
  - Contracting activities, as listed in DFARS, Appendix G, to establish an Internet site with, as a minimum, a point of contact.
  - Contracting activities, as listed in DFARS, Appendix G, to establish and maintain email address for the point of contact.
  - Contracting activities, as listed in DFARS, Appendix G, to provide the web site and email address to the applicable activity address monitors (DFARS, Appendix G, and G101(c)).



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1. As allowed for under current DoD security policy, issue a DoD directive requiring DFARS, Appendix G representatives to add Internet web site location and email address to existing information for every contracting activity listed.
2. As allowed for under current DoD security policy, issue a DoD directive requiring:
  - The Deskbook Joint Program Office to establish a line entitled “Acquisition Activity Point of Contact” on the opening screen of the DAD. This line to be hyperlinked directly to the DFARS, Appendix G.
  - The Deskbook Joint Program Office to convert Internet and email address to hyperlinks.

## Milestones:

ID	Task Name		1999					2000					2001					
		Qtr 4	Qtr 1	Qtr 2	Qtr 3	Qtr 4	Qtr 1	Qtr 2	Qtr 3	Qtr 4	Qtr 1	Qtr 2	Qtr 3	Qtr 4	Qtr 1			
1	Issue DoD Directives																	
2	Develop POC capability																	

## Metrics:

- Number of contracting activities with email address and web pages linked to Appendix G.

## Conclusion:

The hyperlink would automatically take the user to the contracting activities Internet web page or email address where an acquisition point of contact is maintained. This simple change would make finding responsible acquisition officials more readily accessible and thus allow quicker contract closeout in many cases.

## C. QUICK CLOSEOUT PROCEDURE TRAINING

### Issue:

The quick closeout procedure is identified in the FAR and DFARS, and discussed in the DCMC One Book. The CCWIPT determined wider acceptance and use of the procedure could be accomplished if contracting officers had more in-depth knowledge about the subject.

### Recommendation:

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In coordination with the Defense Acquisition University,

- Revise Acquisition courses to include more in-depth training on the use of quick closeout procedure.
- Design a quick closeout training module for the DAD.
- Include quick closeout procedure training in Acquisition Reform Day topics.

## **Discussion:**

The CCWIPT believes the quick closeout procedure is not being employed as frequently as possible because contracting personnel are not familiar with, nor adequately trained in the use of this method. Use of quick closeout procedures should be incorporated in DAU courses such as contract pricing and overhead negotiation. Placing a quick closeout training module on the DAD would make this training immediately available as a refresher to those who have already taken the course. It would also act as a current reference source for the use of the quick closeout procedure. Inclusion in the Acquisition Reform Day agenda would further stress the importance of this procedure.

## **Resulting Effects:**

### **Advantages:**

- Increase the use of the quick closeout procedure
- Reduce contract closeout cycle time

### **Costs:**

- Initial implementation: 12 people x 4 weeks x \$2,500 (TDY & salary) = \$120,000
  - Annually - maintain = \$50,000\*
- No training is required.

\*average lump sum skill mix = \$50K annually

**Benefits:** Actual benefits cannot be quantified. However, a better-educated workforce should reduce contract closeout cycle time.

## **Implementation Plan:**

1. Action Office: Air Force
2. In coordination with DAU, issue a DoD directive requiring:
  - Defense Acquisition University (DAU) to allow more time for quick closeout coverage in acquisition courses
  - DAU to design a quick closeout training module for inclusion at the DAU website and linked to the DAD.

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- The Deskbook Joint Program Office to include quick closeout training module on the DAD.

## Milestones:

ID	Task Name	1999					2000				2001				
		Qtr 4	Qtr 1	Qtr 2	Qtr 3	Qtr 4	Qtr 1	Qtr 2	Qtr 3	Qtr 4	Qtr 1	Qtr 2	Qtr 3	Qtr 4	
1	Incorporate in curriculum														
2	Develop training module														
3	Host training module in DAD														

## Metrics:

- Training model developed and located on the DADs.
- DAU should implement the training module.

## Conclusion:

The quick closeout procedure needs to be widely employed within the procurement community. Increasing training and the availability of lessons learned on the Defense Acquisition Deskbook will promote its use.

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### III. Appendix

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APPENDIX A

## DEPUTY SECRETARY OF DEFENSE

1010 DEFENSE PENTAGON  
WASHINGTON, DC 20301-1010

APR 13, 1998

MEMORANDUM FOR SECRETARIES OF THE MILITARY DEPARTMENTS  
CHAIRMAN OF THE JOINT CHIEFS OF STAFF  
UNDER SECRETARIES OF DEFENSE  
DIRECTOR, DEFENSE RESEARCH AND ENGINEERING  
ASSISTANT SECRETARIES OF DEFENSE  
GENERAL COUNSEL OF THE DEPARTMENT OF DEFENSE  
INSPECTOR GENERAL OF THE DEPARTMENT OF DEFENSE  
DIRECTOR, OPERATIONAL TEST AND EVALUATION  
ASSISTANTS TO THE SECRETARY OF DEFENSE  
DIRECTOR, ADMINISTRATION AND MANAGEMENT  
DIRECTORS OF THE DEFENSE AGENCIES  
DIRECTORS OF THE DOD FIELD ACTIVITIES

SUBJECT: Department of Defense Reform Initiative Directive #32 - Paperless Contract Closeout

Based on the reports I have received on Paperless Contracting, I have identified the Contract Closeout process as having great potential to be re-engineered and transitioned to a paperless environment. Historically, contract closeout has been an extremely frustrating process extended over an inordinate time period after contract completion. Timely closeout of contracts could result in significant benefits by the timely reassignment of canceling funds, decreases in our administrative investment in labor and closed files storage, and reduction in corporate direct and indirect expenses in these same areas.

I direct the establishment of a DoD-wide Working Integrated Process Team (WIPT) to re-engineer this critical process with the aim of making it paperless and reducing its cycle-time. I have tasked the Defense Contract Management Command (DCMC) of the Defense Logistics Agency (DLA) to lead this effort and require your support for this important project. Membership on this WIPT will be composed of representatives from the Military Departments, DLA, the Defense Finance and Accounting Service, DCMC, and the Defense Contract Audit Agency. The team will conduct a comprehensive review and develop recommendations to streamline this business process.

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**U06365. - 9 8**

Thee above organizations are requested to provide Ms. Stephanie Strohbeck, DCMC-OE, (703) 767-3445, Email: stephanie\_strohbeck @hq.dla.mil, Fax (703) 767-8329, with the name of the representative from your organization to work on this WIPT ten days after the issuance of this Directive. The WIPT will be a full time effort lasting approximately 60 days.

/s/

John J. Hamre

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## APPENDIX B

### **Reengineering & Paperless Contract Closeout** Working Integrated Process Team (WIPT) PROJECT CHARTER

PROCESS NAME: Contract Closeout

TEAM LEADERS: Stephanie Strohbeck, DCMC-OE  
Kevin Koch, DCMC-RP

TEAM MEMBERS: Appendix C

AUTHORITY: Under Secretary of Defense (Comptroller) memorandum  
Paperless Contracting WIPT, Action Item #1203-01  
Defense Reform Initiative Directive #32

OBJECTIVE: Reengineer the contract closeout process to incorporate more efficient procedures and convert all closeout procedures to an electronic environment via the Standard Procurement System (SPS).

BACKGROUND: The Office of the Under Secretary of Defense (Acquisition & Technology) Paperless Contracting WIPT gave the Defense Contract Management Command (DCMC) the lead to reengineer and “make” paperless the contract closeout process. This process begins upon physical completion of deliveries and is completed when all required contract closeout actions are completed in accordance with the FAR 4.804, Closeout of Contract Files. The focus of this team is to reengineer the contract closeout process with the aim to make it paperless, look toward an integrated data environment, and reduce the closeout cycle time.

#### EXPECTED OUTCOME:

- Identify process steps that may become automated (paperless).
- Streamline the closeout process for fixed-price and flexibly priced contracts.
- Establish SPS system requirements for version 5.

#### POTENTIAL CONSTRAINTS:

- Definition of SPS system requirements for version 5 by SPS need date.
- Involvement with the reengineering and paperless process WIPT efforts by all impacted organizations.
- Acceptance of electronic authorization on contract closeout documents.
- Ability to electronically connect with the buying office, accounting station, payment office, and auditing activity.
- Consent to change current statutory/regulations requirements.
- Full deployment of SPS.

#### RELATED PAST ACTIVITIES/INITIATIVES:

- February 1994 AFMC/Interagency Contract Closeout PAT report

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- January 1996 Contract Closeout and Best Practices, FY95 Closeout PAT
- September 1996 DCMC ACO Team Management of Contract Closeout Report, FY96 Benchmarking Team
- Various SPI proposals.



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## APPENDIX C

### Contract Closeout WIPT Roster

<u>Name</u>	<u>Activity</u>	<u>Telephone #/ e-mail</u>
Major Bob Boyles	AFMC-PK	937-656-0378/DSN 986-0378 boylesr@wpgate1.wpafb.af.mil
Tom Briggs	DFAS-CO-JXPA, Columbus Center	614-693-8780/DSN 869-8780 tom.briggs@columbus.dfas.mil
Marilyn Carter	DFAS-CO-JWAC, Columbus Center	614-693-7353/DSN 869-7353 marilyn.carter@columbus.dfas.mil
Mark Carver	DCMC Detroit	810-574-5764/DSN 786-5764 mcarver@dcmde.dla.mil
Larry Cooley	DCMC Atlanta FASST	770-590-6186/DSN 697-6186 lcooley@dcmds.dla.mil
LTC Diana Davis	CECOM-WA	703-325-6152/DSN 221-6152 ddavis@hoffman-issaa2.army.mil
Major Dianna Dylewski	AFMC-PK	937-656-0379/DSN 986-0379 dylewsd@wpgate1.wpafb.af.mil
June Golden	DLA – DSCR-RZP	804-279-6195/DSN 695-6195 jgolden@dscr.dla.mil
Charlene Hammaker	DCMDI-O	703-767-2792/DSN 664-2729 charlene_hammaker@hq.dla.mil
Bob Keri	DCAA	703-767-2275/DSN 427-2275 *pic@hq1.dcaa.mil
Julia Kidd	DCMC Lockheed Martin Orlando	407-356-2722 jkidd@dcmde.dla.mil
Kevin Koch	DCMC-CCJ	703-767-6398/DSN 427-6398 kevin_koch@hq.dla.mil
Carole Magnuson (facilitator)	DORRA	804-279-4499/DSN 695-4499 cmagnuson@dscr.dla.mil
Linda Martin	DCMC San Antonio	210-472-6728,ext.162 DSN 940-1238 lmartin@texas.dcrd.dla.mil
Lucille Morris	DCMC Boeing St. Louis	314-233-9106 lmorris@rd-link.dcrs.dla.mil
Annette Porter	DISA	703-681-1678/DSN 761-1678 portera@ncr.disa.mil

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## Contract Closeout WIPT Roster (cont.)

<u>Name</u>	<u>Activity</u>	<u>Telephone #/ e-mail</u>
Esther Scarborough	ASN RD&A EA21 PEO ARBS Paperless Acq. Office	703-601-0253/DSN 329-0253 esther.scarborough@peoarbs.navy.mil
Stephanie Strohbeck (Lead)	DCMC-OC	703-767-3445/DSN 427-3445 stephanie_strohbeck@hq.dla.mil

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## APPENDIX D

### Proposed Combined DD Forms 1593, 1594, and 1597

<b>Contract Completion Document</b>		1. Current Date (YYMMDD)
2. Contract/Order Number (PIIN/SPIIN)		3a. Last ACO Modification Number
4. Contractor Name & Address		3b. Last PCO Modification Number
		5. CAGE Code/DUNS Number
6. Issued by Office & Address		7. Contract Administration Office & Address
8. Date of Physical Completion (YYMMDD)		9. FAR Required Closing Date (YYMMDD)
10. Contract Type	12. Forecast Completion Date (YYMMDD)	13. Date Action Completed (YYMMDD-N/A if not applicable)
11. Action Items		
a. Disposition of Classified Materials		
b. Final Patent Report Submitted		
c. Final Patent Report Cleared		
d. Final Royalty Report Submitted		
e. Final Royalty Report Cleared		
f. No Outstanding VECPs		
g. Plant Clearance Report Received		
- Plant Clearance Officer Code		
h. Property Clearance Report Received		
- Property Administrator Code		
i. Settlement of all Interim or Disallowed Costs		
j. Price Revision Completed		
k. Final Subcontracting Plan Report Adequate		
l. Termination Completed		
- Termination Contracting Officer Code		
m. Indirect Rates Settled		
n. Contractor's Final Voucher Submitted		
o. Contract Audit of Final Voucher Completed		
p. Final Voucher/Invoice Approved		
q. Final Voucher/Invoice Paid		
- Voucher/Invoice number #		
r. Final Removal of Excess Funds		
- Amount of excess funds removed \$		
s. Other Requirements Completed (Specify)		
16. Comments		
17. Responsible Plant Clearance Officer (if applicable)		18. Responsible Property Administrator (if applicable)
a. Typed Name (Last, First, Middle Initial)		a. Typed Name (Last, First, Middle Initial)
c. Signature (Sign only upon completion of all actions)		c. Signature (Sign only upon completion of all actions)
19. Responsible Termination Contracting Officer (if applicable)		
a. Typed Name (Last, First, Middle Initial)		c. Signature (Sign only upon completion of all actions)
20. Responsible ACO		21. Responsible PCO
a. Typed Name (Last, First, Middle Initial)		a. Typed Name (Last, First, Middle Initial)
b. Title		b. Title
c. Signature (Sign only upon completion of all actions)		c. Signature (Sign only upon completion of all actions)

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## APPENDIX E

### ACRONYMS

ACO - Administrative Contracting Officer  
ACRN - Accounting Classification Reference Number  
ADV - Auditable Dollar Volume  
AMS - Automated Metrics System  
ASBCA - Armed Services Board of Contract Appeals  
BOA - Basic Ordering Agreement  
CAGE - Commercial and Government entity  
CAO - Contract Administration Office  
CAS - Contract Administration Services  
CCWIPT - Contract Closeout Working Integrated Process Team  
CDRL - Contract Data Requirements List  
COTR - Contracting Officer's Technical Representative  
DAD - Defense Acquisition Deskbook  
DAR - Defense Acquisition Regulation  
DAU - Defense Acquisition University  
DCAA - Defense Contract Audit Agency  
DCD - DFAS Corporate Database  
DCMC - Defense Contract Management Command  
DD - Defense Distribution  
DDP - Director of Defense Procurement  
DFARS - Defense Federal Acquisition Regulation Supplement  
DFAS - Defense Finance and Accounting Service  
DLA - Defense Logistics Agency  
DLSC - Defense Logistics Support Command  
DoD - Department of Defense  
DODAAC - DoD Activity Address Code  
DRID - Defense Reform Initiative Directive  
DUNS - Data Universal Numbering System  
EDI - Electronic Data Interchange  
EFT - Electronic Funds Transfer  
FAR - Federal Acquisition Regulation  
FTP - File Transfer Protocol  
GAO - General Accounting Office  
IDIQ - Indefinite-Delivery Indefinite-Quantity  
IPT - Integrated Process Team  
LRA/TA - Latest Rates Available/Trend Analysis  
MOCAS - Mechanization of Contract Administration Services  
PCO - Procurement Contracting Officer  
PIIN - Procurement Instrument Identification Number  
POC - Point Of Contact  
R&D - Research & Development  
SDW - Shared Data Warehouse  
SF - Standard Form  
SPS - Standard Procurement System  
TCO - Termination Contracting Officer  
WAWF - Wide Area Workflow  
WIPT - Working Integrated Process Team